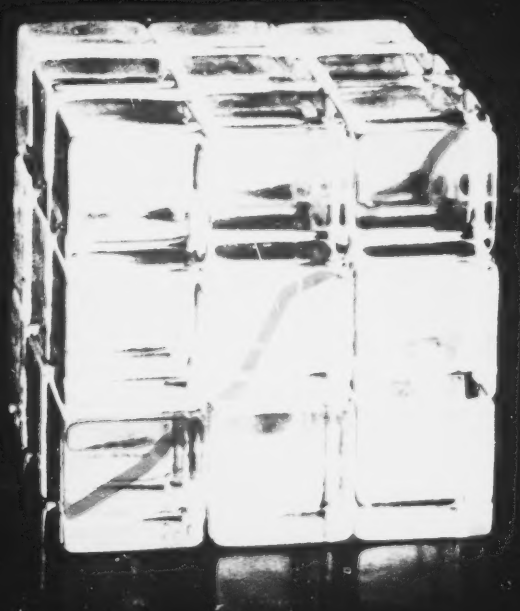
The Lilly Digest '81



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A summary of the 1981 operations of 2,070 community pharmacies
The most comprehensive report of community pharmacy operations available

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Published annually in September of the following year as a service to community pharmacy in the interest of sound management

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Foreword

The LILLY DIGEST is a compilation of detailed financial information voluntarily submitted by independent community pharmacists in the United States. It is published each year by Eli Lilly and Company as a service to the profession of pharmacy.

The DIGEST provides pharmacist-managers with comparative statistics that may aid them in making productive management decisions. Since no attempt has been made to define or structure the sample, the DIGEST does not claim to describe what is optimal, satisfactory, or successful for community pharmacy. It simply presents the averages of the actual data of community pharmacies reported to the DIGEST staff. Overall trends in pharmacy operations can be determined through proper interpretation of these data.

The "Heart of the LILLY DIGEST" (pages 23 through 35) comprises 34 summaries of 1980 operating figures arranged according to total sales volume and daily prescription activity. For comparative purposes, the pharmacist-manager can readily isolate the summary that is most similar to his own.

The year 1981 marks the forty-ninth consecutive edition of the LILLY DIGEST. As in the past, sincere appreciation and thanks are extended to the 2,070 participants without whose data this year's publication would not have been possible. We are pleased to note that the number of participants for 1980 rose 42 percent over those for 1979. This is the highest volume of participation in a decade and suggests that a greater number of independent community pharmacy practitioners are placing value on the financial analysis process. Each participant received a personalized analysis of his operating figures prepared by the Lilly Analysis Service staff, with suggestions for potential improvement when indicated.

Approximately 70,000 annual users of the DIGEST should also express their thanks to the current participants. Eli Lilly and Company sincerely hopes that the financial information presented in this publication will prove useful to pharmacy managers, the overall goal being to strengthen community pharmacy operations in the United States.

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Community Pharmacy Operations—1980

For the thirty-first consecutive year, the average LILLY DIGEST pharmacy reported higher sales. The growth rate was 6.2 percent, below the average annual growth rate of 7.6 percent noted over the past decade. As a percent of sales, the cost of goods sold halted its steady advance, which has been evident during recent years, to remain unchanged at 65.7 percent (Table 1). Gross margin, although greater in dollars, also was the same percentagewise as for 1979. Total expenses dropped significantly as a percent of sales during 1980, with the result that net profit returned to the 1978 level of 3.3 percent of sales.

The 2,070 pharmacies reporting 1980 data recorded average sales of $416,161, an increase of 6.2 percent over the 1979 figure. However, this was dramatically lower than the one-year growth rate of 13.4 percent during 1979. As shown in Table 2, prescription sales again surpassed other sales with a 9.1 percent gain, in contrast with the 3.4 percent increase in other sales. Total prescription revenue accounted for over half of the community pharmacy sales volume at 51.2 percent (up from 49.8 percent in 1979 and the same percentage that was recorded during 1978). The rise in prescription sales, in comparison with other sales, emphasizes the strong contribution of the professional area to the financial picture of the average community pharmacy.

Total expenses declined as a percent of sales to 31.0 percent (down from 31.3 percent in 1979). This reduction was the collective result of manager's salary, employees' wages, and rent more than offsetting the increase in miscellaneous operating costs. The combined effect of these changes was the significant increase in net profit before taxes from 3.0 to 3.3 percent.

For some time, managers have been faced with a rising cost of goods sold, and, in an effort to preserve net profit, they have attempted to reduce expenditures percentagewise. This strategy appeared to be most successful during 1980, since, in addition to reducing expenses as a percent of sales, they were able to stabilize the cost of goods sold; therefore, net profit showed significant improvement.

Rent declined slightly to 2.4 percent (down from 2.5 percent in 1979).

Miscellaneous operating expenses (comprising all expenses other than proprietor's or manager's salary, employees' wages, and rent) took a larger share of the sales dollar—going from 10.4 to 10.6 percent of sales—and contributed to the 5.1 percent increase in total expenses.

Dollarwise, net profit before taxes showed an 18.7 percent increase over the previous year (up $2,169). This was the largest annual net profit gain in LILLY DIGEST history. The increase in net profit offset the decline in proprietor's salary, permitting the proprietor's total income to remain at 9.5 percent of sales (the same as in 1979). In dollars, however, the total income of the proprietor rose 7.6 percent and attained a record high of almost $40,000 before taxes.

Prescription revenue for the average 1980 LILLY DIGEST pharmacy demonstrated a 9.1 percent increase over the 1979 figure—dollarwise, this amounted to $17,790, somewhat lower than the increase reported last year. The higher revenue in 1980 was produced despite a 0.2 percent drop in the total number of prescriptions dispensed, because of a rise of 67 cents in the average prescription charge, from $7.18 to $7.85.

The share of new prescriptions dropped slightly to 49.6 percent of all prescriptions dispensed (down 0.1 percent from the previous year's level of 49.7 percent). Renewed prescriptions were also lower (0.2 percent) as compared with 1979 figures but rose as a share of total prescriptions (up from 50.3 to 50.4 percent). Consequently, total prescriptions showed a decline of 61 dispensed. During 1980, 27,126 prescriptions were dispensed in the average independent community pharmacy.

Total inventory investment rose in terms of dollars to just over $67,000 but decreased as a percent of sales from 16.4 to 16.1 percent. Although prescription inventory required $1,698 more in 1980, it was lower as a percent of sales (down from 11.8 to 11.6 percent). This caused the prescription department's sales productivity to expand from $8.51 to $8.64 per stock dollar (up 13 cents). Other merchandise inventory also was higher in dollars but was unchanged as a percent of sales at 20.9 percent. This is reflected in a small increase in productivity from $4.78 to $4.79 per dollar invested in inventory.

Table 1 *Current trends in pharmacy operations*

Averages per Pharmacy	1980 2,070 Pharmacies	1979 1,458 Pharmacies	Amount and Percent of Change
Total sales	$416,161—100.0%	$391,681—100.0%	+ $24,480— 6.2%
Cost of goods sold	273,390— 65.7%	257,334— 65.7%	+ $16,056— 6.2%
Gross margin	$142,771— 34.3%	$134,347— 34.3%	+ $ 8,424— 6.3%
Expenses			
Proprietor's or manager's salary	$ 26,001— 6.2%	$ 25,346— 6.5%	+ $ 655— 2.6%
Employees' wages	49,128— 11.8%	46,759— 11.9%	+ $ 2,369— 5.1%
Rent	10,127— 2.4%	9,783— 2.5%	+ $ 344— 3.5%
Heat, light, and power	3,682— 0.9%	3,291— 0.8%	+ $ 391—11.9%
Accounting, legal, and other professional fees	1,966— 0.5%	1,804— 0.5%	+ $ 162— 9.0%
Taxes (except on buildings, income, and profit) and licenses	6,254— 1.5%	5,848— 1.5%	+ $ 406— 6.9%
Insurance (except on buildings)	4,539— 1.1%	4,214— 1.1%	+ $ 325— 7.7%
Interest paid	2,901— 0.7%	2,584— 0.7%	+ $ 317—12.3%
Repairs	1,503— 0.4%	1,344— 0.4%	+ $ 159—11.8%
Delivery	1,984— 0.5%	1,662— 0.4%	+ $ 322—19.4%
Advertising	4,590— 1.1%	4,436— 1.1%	+ $ 154— 3.5%
Depreciation (except on buildings)	3,591— 0.9%	3,369— 0.9%	+ $ 222— 6.6%
Bad debts charged off	556— 0.1%	565— 0.1%	$ 9— 1.6%
Telephone	1,463— 0.3%	1,365— 0.3%	+ $ 98— 7.2%
Miscellaneous	10,702— 2.6%	10,362— 2.6%	+ $ 340— 3.3%
	10.6%	10.4%	
Total expenses	$128,987— 31.0%	$122,732— 31.3%	+ $ 6,255— 5.1%
Net profit (before taxes)	$ 13,784— 3.3%	$ 11,615— 3.0%	+ $ 2,169—18.7%
Total income of self-employed proprietor (before taxes on income and profits)	$ 39,785— 9.5%	$ 36,961— 9.5%	+ $ 2,824— 7.6%
Value of inventory at cost	$ 67,020— 16.1%	$ 64,066— 16.4%	+ $ 2,954— 4.6%
Annual rate of turnover of inventory	4.2 times	4.2 times	
Hours per week pharmacy was open	63	64	— 1

NOTE: These national averages are presented to give a composite picture of the average LILLY DIGEST pharmacy. Comparisons for analysis should be based on the operations of pharmacies of comparable sales and prescription size which appear in one of the 34 arrangements in the "Heart of the LILLY DIGEST."

Table 2 *Current trends in prescription department operations*

Averages per Pharmacy	1980 2,070 Pharmacies	1979 1,458 Pharmacies	Amount and Percent of Change
Sales			
Prescription	$212,949— 51.2%	$195,159— 49.8%	+ $17,790— 9.1%
Other	203,212— 48.8%	196,522— 50.2%	+ $ 6,690— 3.4%
Total	$416,161—100.0%	$391,681—100.0%	+ $24,480— 6.2%
Value of inventory at cost and as a percent of sales			
Prescription	$ 24,649— 11.6%	$ 22,941— 11.8%	+ $ 1,698— 7.4%
Other	42,381— 20.9%	41,125— 20.9%	+ $ 1,256— 3.1%
Total	$ 67,020— 16.1%	$ 64,066— 16.4%	+ $ 2,954— 4.6%
Sales per dollar invested in inventory			
Prescription	$8.64	$8.51	+ $ 0.13— 1.5%
Other	4.79	4.78	+ $ 0.01— 0.2%
Size of area (square feet)*			
Prescription	385— 15.3%	381— 14.7%	+ 4— 1.0%
Other	2,129— 84.7%	2,205— 85.3%	— 76— 3.4%
Total	2,514—100.0%	2,586—100.0%	— 72— 2.8%
Sales per square foot*			
Prescription	$549.06	$510.56	+ $ 38.50— 7.5%
Other	94.71	88.23	+ $ 6.48— 7.3%
Total	164.32	150.39	+ $ 13.93— 9.3%
Number of prescriptions dispensed			
New	13,447— 49.6%	13,499— 49.7%	— 52— 0.4%
Renewed	13,679— 50.4%	13,688— 50.3%	— 9— 0.1%
Total	27,126—100.0%	27,187—100.0%	— 61— 0.2%
Prescription charge	$7.85	$7.18	+ $ 0.67— 9.3%

*Based on averages of pharmacies that reported all data

Sales and Expenses

One of pharmacy management's major objectives is to maximize sales. Sales volume and growth provide the foundation on which a successful operation is built, but sales activity itself is usually not the only objective of owner-managers. To insure the profitability of the business and, therefore, its long-term success, management must exercise efficient control over all operating costs, particularly as sales volume increases.

LILLY DIGEST figures are adjusted to exclude refunds, returns, and allowances to customers. Sales and excise taxes are also deducted, and the cost of goods sold includes freight-in but is reduced by supplier discounts.

Sales volume and operating statistics vary significantly among different types of pharmacies. Therefore, when the data are used for comparative purposes, the type of operation should be considered. For example, a small medical building pharmacy would be quite different in most respects from a large shopping center unit.

It is worthy of note that, for the first time in LILLY DIGEST history, the sales and expense section and the "Heart" section include a sales category for stores reporting total annual sales volume in excess of $1,000,000.

Chart 1 and Table 3 illustrate how selected major operating statistics vary with sales volume. The general trends noted previously appear to be virtually unchanged again this year. As percentages of sales, gross margin and total expenses tend to decline as total sales increase. However, the drop in the total expense percentage was not enough to compensate for the lower gross margin. Therefore, net profit as large (percentage-wise) as might normally be expected through "economies of scale" did not materialize.

The impact of the total wage package on total expenses is depicted in Chart 1. When a change occurs in wages, it will be reflected in total expenses. The importance of this category to operating costs and, therefore, to net profit cannot be overemphasized. Management should be mindful that wage expense must be geared to employee productivity, with the aim of increasing output per personnel hour.

Gross Margin—As sales increase, the gross margin in the average LILLY DIGEST pharmacy tends to decrease as a percent of sales (Table 3). The downtrend in gross margin is related to the proportion of prescription sales to total sales. The relationship between prescription activity and gross margin is generally direct; the higher the ratio of prescription sales to total sales, the higher the gross margin. As Table 3 shows, pharmacies with total sales under $100,000 reported prescription revenue of 74.6 percent of sales and a gross margin of 38.4 percent. Stores with sales in excess of $1,000,000 recorded prescription revenue amounting to 35.1 percent of sales and gross margin of 31.3 percent. The sales mix appears to change as volume increases, with the larger stores having a higher percentage of non-prescription sales and, quite probably, a larger volume of low-margin sales in comparison with the sales mix in predominantly prescription-oriented pharmacies.

Expenses—Total expenses look high as a percent of sales when the volume is below $100,000, because many of the expenses incurred by the average independent community pharmacy are fixed in nature. As sales volume grows, the fixed costs percentage tends to decline, and this results in a gradual decrease in total expenses (from 37.9 to 28.1 percent).

Salary and Wages—As reported in previous editions of the DIGEST, with growing sales volume there is a significant difference between the trends of employees' wages and proprietor's salary. The proprietor's salary rose dollarwise from $14,519 in stores with sales under $100,000 to $43,627 in those with sales over $1,000,000. As a percent of sales, however, proprietor's salary shows an overall decline in Table 3 from 18.4 percent in the lowest sales category to 3.2 percent in the highest. Employees' wages, on the other hand, went from 3.7 percent for pharmacies with sales below $100,000 to 13.5 percent in units having more than $1,000,000 in total sales volume. The larger expenditure for employees' wages seemed to coincide with the greater number of hours the pharmacy was open per week and the longer hours worked by employed pharmacists; this may have been due partly to limitations on the owner-pharmacist's time spent in the prescription department as management demands increased as well as to greater prescription volume.

Chart 1 *Selected operating statistics according to sales volume*

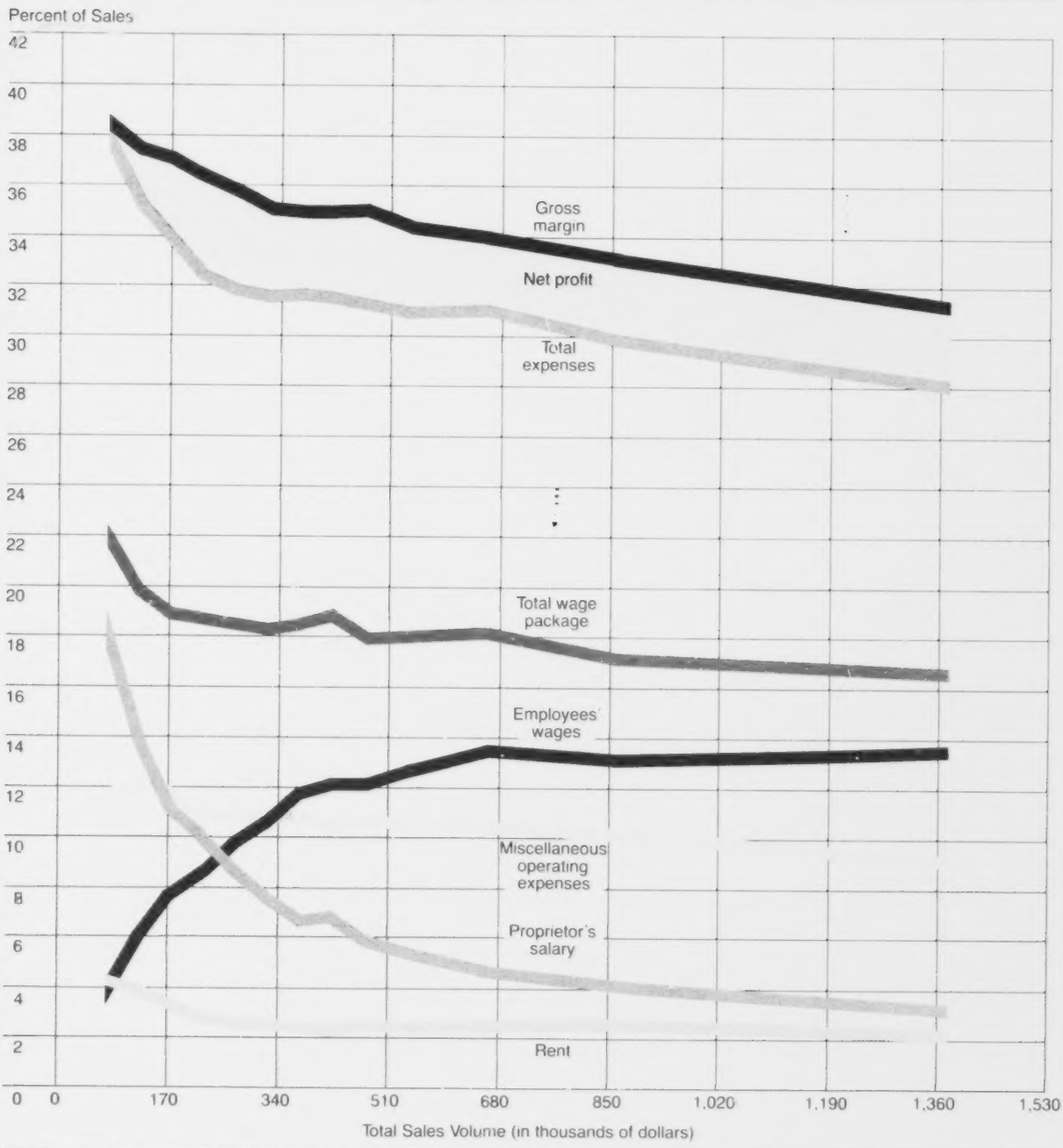


Table 3 *Summary of sales volume in 1980*

Averages per Pharmacy	Total Sales under $100,000 (54 Pharmacies)	Total Sales $100,000 to $150,000 (122 Pharmacies)
Sales		
Prescription	$58,771— 74.6%	$ 88,513— 69.7%
Other	19,982— 25.4%	38,531— 30.3%
Total	$78,753—100.0%	$127,044—100.0%
Cost of goods sold	48,497— 61.6%	79,567— 62.6%
Gross margin	$30,256— 38.4%	$ 47,477— 37.4%
Expenses		
Proprietor's or manager's salary	$14,519— 18.4%	$ 17,546— 13.8%
Employees' wages	2,938— 3.7%	7,625— 6.0%
Rent	3,338— 4.2%	4,772— 3.8%
Heat, light, and power	766— 1.0%	1,482— 1.2%
Accounting, legal, and other professional fees	405— 0.5%	846— 0.7%
Taxes (except on buildings, income, and profit) and licenses	830— 1.1%	1,703— 1.3%
Insurance (except on buildings)	864— 1.1%	1,392— 1.1%
Interest paid	1,287— 1.6%	1,711— 1.3%
Repairs	309— 0.4%	427— 0.3%
Delivery	599— 0.8%	761— 0.6%
Advertising	828— 1.1%	1,364— 1.1%
Depreciation (except on buildings)	801— 1.0%	1,380— 1.1%
Bad debts charged off	114— 0.1%	211— 0.2%
Telephone	652— 0.8%	862— 0.7%
Miscellaneous	1,650— 2.1%	3,219— 2.5%
	11.6%	12.1%
Total expenses	$29,900— 37.9%	$ 45,301— 35.7%
Net profit (before taxes)	$ 356— 0.5%	$ 2,176— 1.7%
Add proprietor's withdrawals	14,519— 18.4%	17,546— 13.8%
Total income of self-employed proprietor (before taxes on income and profits)	$14,875— 18.9%	$ 19,722— 15.5%
Value of inventory at cost and as a percent of sales		
Prescription	$11,801— 20.1%	$ 14,487— 16.4%
Other	6,485— 32.5%	11,374— 29.5%
Total	$18,286— 23.2%	$ 25,861— 20.4%
Annual rate of turnover of inventory	2.7 times	3.2 times
Size of area and sales per square foot*	sq. ft.	sq. ft.
Prescription	262 $222.26	329 $270.16
Other	639 32.47	911 41.64
Total	901 87.58	1,240 102.31
Sales per dollar invested in inventory		
Prescription	$4.98	$6.11
Other	3.08	3.39
Net profit per dollar invested in inventory	$0.020	$0.080
Number of prescriptions dispensed		
New	4,110— 50.3%	5,939— 50.6%
Renewed	4,054— 49.7%	5,788— 49.4%
Total	8,164—100.0%	11,727—100.0%
Prescription charge	$7.20	$7.55
Number of hours per week		
Pharmacy was open	49 hours	53 hours
Worked by proprietor	44 hours	49 hours
Worked by employed pharmacist(s)	10 hours	10 hours

*Based on averages of pharmacies that reported all data

Total Sales $150,000 to $200,000 (221 Pharmacies)	Total Sales $200,000 to $250,000 (244 Pharmacies)	Total Sales $250,000 to $300,000 (217 Pharmacies)	Total Sales $300,000 to $350,000 (224 Pharmacies)
$118,048— 67.0%	$142,406— 63.5%	$167,264— 61.2%	$189,416— 58.4%
58,133— 33.0%	81,883— 36.5%	106,192— 38.8%	135,114— 41.6%
$176,181—100.0%	$224,289—100.0%	$273,456—100.0%	$324,530—100.0%
110,870— 62.9%	142,738— 63.6%	175,337— 64.1%	210,464— 64.9%
$ 65,311— 37.1%	$ 81,551— 36.4%	$ 98,119— 35.9%	$114,066— 35.1%
$ 19,532— 11.1%	$ 22,601— 10.1%	$ 23,812— 8.7%	$ 24,781— 7.6%
13,803— 7.8%	19,211— 8.6%	26,846— 9.8%	34,617— 10.7%
5,574— 3.2%	6,097— 2.7%	6,535— 2.4%	7,785— 2.4%
1,833— 1.0%	2,165— 1.0%	2,602— 1.0%	3,092— 1.0%
1,040— 0.6%	1,224— 0.5%	1,556— 0.6%	1,802— 0.5%
2,446— 1.4%	3,121— 1.4%	3,869— 1.4%	4,738— 1.4%
2,001— 1.1%	2,579— 1.1%	2,870— 1.1%	3,616— 1.1%
1,889— 1.1%	2,096— 0.9%	2,403— 0.9%	2,589— 0.8%
704— 0.4%	797— 0.4%	1,023— 0.4%	1,213— 0.4%
1,305— 0.7%	1,388— 0.6%	1,583— 0.6%	1,895— 0.6%
1,791— 1.0%	2,437— 1.1%	2,790— 1.0%	3,194— 1.0%
1,894— 1.1%	2,008— 0.9%	2,581— 0.9%	3,074— 0.9%
254— 0.2%	349— 0.2%	388— 0.1%	536— 0.2%
988— 0.6%	1,039— 0.5%	1,209— 0.4%	1,259— 0.4%
4,636— 2.6%	5,436— 2.4%	6,843— 2.5%	8,453— 2.6%
11.8%	11.0%	10.9%	10.9%
$ 59,690— 33.9%	$ 72,548— 32.4%	$ 86,910— 31.8%	$102,644— 31.6%
$ 5,621— 3.2%	$ 9,003— 4.0%	$ 11,209— 4.1%	$ 11,422— 3.5%
19,532— 11.1%	22,601— 10.1%	23,812— 8.7%	24,781— 7.6%
$ 25,153— 14.3%	$ 31,604— 14.1%	$ 35,021— 12.8%	$ 36,203— 11.1%
$ 17,627— 14.9%	$ 18,851— 13.2%	$ 20,844— 12.5%	$ 23,057— 12.2%
16,627— 28.6%	21,042— 25.7%	26,264— 24.7%	31,365— 23.2%
$ 34,254— 19.4%	$ 39,893— 17.8%	$ 47,108— 17.2%	$ 54,422— 16.8%
3.3 times	3.7 times	3.8 times	4.0 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.
330 $356.58	351 $400.92	326 $515.26	369 $511.91
1,160 50.30	1,377 60.59	1,589 66.48	1,721 78.96
1,490 118.22	1,728 129.74	1,915 142.99	2,090 155.36
$6.70	$7.55	$8.02	$8.22
3.50	3.89	4.04	4.31
$0.160	$0.230	$0.240	$0.210
7,490— 49.9%	8,877— 48.6%	10,382— 48.2%	11,702— 48.3%
7,522— 50.1%	9,387— 51.4%	11,175— 51.8%	12,549— 51.7%
15,012—100.0%	18,264—100.0%	21,557—100.0%	24,251—100.0%
$7.86	$7.80	$7.76	$7.81
56 hours	57 hours	60 hours	61 hours
51 hours	49 hours	49 hours	49 hours
13 hours	17 hours	22 hours	29 hours

(Continued)

Table 3 *Summary of sales volume in 1980 (continued)*

Averages per Pharmacy	Total Sales $350,000 to $400,000 (184 Pharmacies)		Total Sales $400,000 to $450,000 (143 Pharmacies)	
Sales				
Prescription	$216,813	57.8%	$233,981	55.4%
Other	158,021	42.2%	188,394	44.6%
Total	$374,834	100.0%	$422,375	100.0%
Cost of goods sold	243,691	65.0%	274,469	65.0%
Gross margin	$131,143	35.0%	$147,906	35.0%
Expenses				
Proprietor's or manager's salary	$ 25,052	6.7%	$ 28,562	6.8%
Employees' wages	44,345	11.8%	51,067	12.1%
Rent	8,503	2.3%	9,466	2.2%
Heat, light, and power	3,367	0.9%	3,667	0.9%
Accounting, legal, and other professional fees	1,891	0.5%	1,788	0.4%
Taxes (except on buildings, income, and profit) and licenses	5,805	1.6%	6,714	1.6%
Insurance (except on buildings)	3,935	1.1%	4,870	1.2%
Interest paid	3,022	0.8%	2,449	0.6%
Repairs	1,185	0.3%	1,454	0.3%
Delivery	1,811	0.5%	1,987	0.5%
Advertising	4,362	1.2%	4,601	1.1%
Depreciation (except on buildings)	3,088	0.8%	4,219	1.0%
Bad debts charged off	541	0.1%	474	0.1%
Telephone	1,431	0.4%	1,420	0.3%
Miscellaneous	10,271	2.7%	10,573	2.5%
Total expenses	$118,609	31.7%	$133,311	31.6%
Net profit (before taxes)	$ 12,534	3.3%	$ 14,595	3.4%
Add proprietor's withdrawals	25,052	6.7%	28,562	6.8%
Total income of self-employed proprietor (before taxes on income and profits)	$ 37,586	10.0%	$ 43,157	10.2%
Value of inventory at cost and a percent of sales				
Prescription	$ 25,019	11.5%	$ 26,025	11.1%
Other	39,448	25.0%	41,961	22.3%
Total	$ 64,467	17.2%	$ 67,986	16.1%
Annual rate of turnover of inventory	3.9 times		4.2 times	
Size of area and sales per square foot*	sq. ft.		sq. ft.	
Prescription	398	$545.92	395	$592.10
Other	2,144	73.56	2,265	83.36
Total	2,542	147.56	2,660	158.98
Sales per dollar invested in inventory				
Prescription	$8.67		$8.99	
Other	4.01		4.49	
Net profit per dollar invested in inventory	$0.190		$0.210	
Number of prescriptions dispensed				
New	13,212	48.7%	14,976	50.5%
Renewed	13,901	51.3%	14,679	49.5%
Total	27,113	100.0%	29,655	100.0%
Prescription charge	$8.00		$7.89	
Number of hours per week				
Pharmacy was open	64 hours		66 hours	
Worked by proprietor	49 hours		49 hours	
Worked by employed pharmacist(s)	35 hours		43 hours	

*Based on averages of pharmacies that reported all data

Total Sales $450,000 to $500,000 (103 Pharmacies)	Total Sales $500,000 to $600,000 (186 Pharmacies)	Total Sales $600,000 to $750,000 (157 Pharmacies)	Total Sales $750,000 to $1,000,000 (126 Pharmacies)	Total Sales over $1,000,000 (89 Pharmacies)
$250,176— 52.8%	$272,455— 49.6%	$321,407— 48.2%	$349,164— 40.6%	$ 483,351— 35.1%
223,612— 47.2%	276,853— 50.4%	344,905— 51.8%	511,555— 59.4%	894,205— 64.9%
$473,788—100.0%	$549,308—100.0%	$666,312—100.0%	$860,719—100.0%	$1,377,556—100.0%
307,642— 64.9%	360,206— 65.6%	439,752— 66.0%	579,631— 67.3%	946,308— 68.7%
$166,146— 35.1%	$189,102— 34.4%	$226,560— 34.0%	$281,088— 32.7%	$ 431,248— 31.3%
$ 27,911— 5.9%	$ 29,633— 5.4%	$ 31,345— 4.7%	$ 35,430— 4.1%	$ 43,627— 3.2%
57,147— 12.1%	70,029— 12.7%	90,197— 13.5%	112,877— 13.1%	185,750— 13.5%
11,922— 2.5%	12,535— 2.3%	15,892— 2.4%	21,437— 2.5%	29,711— 2.2%
4,134— 0.9%	4,826— 0.9%	5,410— 0.8%	7,442— 0.9%	10,722— 0.8%
2,551— 0.5%	2,520— 0.5%	3,181— 0.5%	3,337— 0.4%	4,713— 0.3%
7,595— 1.6%	8,773— 1.6%	10,188— 1.5%	13,194— 1.5%	20,066— 1.4%
5,238— 1.1%	6,285— 1.1%	7,349— 1.1%	9,320— 1.1%	13,694— 1.0%
3,241— 0.7%	3,238— 0.6%	3,753— 0.6%	5,218— 0.6%	6,837— 0.5%
1,649— 0.4%	1,840— 0.3%	2,412— 0.4%	3,004— 0.4%	5,656— 0.4%
2,552— 0.5%	2,547— 0.5%	2,792— 0.4%	3,337— 0.4%	4,191— 0.3%
4,686— 1.0%	5,884— 1.1%	7,235— 1.1%	9,578— 1.1%	17,955— 1.3%
4,135— 0.9%	4,620— 0.8%	5,665— 0.8%	6,302— 0.7%	10,379— 0.8%
726— 0.2%	871— 0.1%	797— 0.1%	615— 0.1%	1,878— 0.1%
1,611— 0.3%	1,677— 0.3%	1,959— 0.3%	2,441— 0.3%	3,507— 0.2%
12,952— 2.7%	14,620— 2.7%	19,234— 2.9%	23,277— 2.7%	28,492— 2.1%
10.8%	10.6%	10.5%	10.2%	9.2%
$148,050— 31.3%	$169,898— 30.9%	$207,409— 31.1%	$256,809— 29.9%	$ 387,178— 28.1%
$ 18,096— 3.8%	$ 19,204— 3.5%	$ 19,151— 2.9%	$ 24,279— 2.8%	$ 44,070— 3.2%
27,911— 5.9%	29,633— 5.4%	31,345— 4.7%	35,430— 4.1%	43,627— 3.2%
$ 46,007— 9.7%	$ 48,837— 8.9%	$ 50,496— 7.6%	$ 59,709— 6.9%	$ 87,697— 6.4%
$ 27,265— 10.9%	$ 29,264— 10.7%	$ 33,761— 10.5%	$ 35,767— 10.2%	$ 45,304— 9.4%
47,220— 21.1%	54,019— 19.5%	68,376— 19.8%	95,387— 18.6%	152,045— 17.0%
$ 74,485— 15.7%	$ 83,283— 15.2%	$102,137— 15.3%	$131,154— 15.2%	$ 197,349— 14.3%
4.3 times	4.5 times	4.5 times	4.5 times	4.9 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
395 $629.62	389 $701.00	469 $680.26	477 $713.77	617 $768.44
2,405 93.52	2,696 102.69	3,085 111.90	4,142 125.21	5,353 162.67
2,800 169.18	3,085 178.17	3,554 186.96	4,619 185.94	5,970 225.32
$9.18	$9.31	$9.52	$9.76	$10.67
4.74	5.13	5.04	5.36	5.88
$0.240	$0.230	$0.190	$0.190	$0.220
15,730— 48.9%	16,695— 48.3%	20,220— 49.6%	22,544— 51.8%	32,346— 52.0%
16,430— 51.1%	17,871— 51.7%	20,552— 50.4%	21,003— 48.2%	29,845— 48.0%
32,160—100.0%	34,566—100.0%	40,772—100.0%	43,547—100.0%	62,191—100.0%
$7.78	$7.88	$7.88	$8.02	$7.77
66 hours	70 hours	72 hours	74 hours	82 hours
47 hours	50 hours	48 hours	49 hours	49 hours
48 hours	60 hours	71 hours	74 hours	108 hours

Miscellaneous Operating Costs—The 12 expense items summarized in this statistic (Table 3, in braces) range from 12.1 to 9.2 percent of sales. Between these two extremes, miscellaneous operating expenses show no definitive trend, but control of each individual expense item must be maintained to insure acceptable profitability.

Rent—Generally, rent remains constant even when sales volume rises. It may appear high as a percent of sales in newer operations because full sales potential has not been realized. Rental costs also vary according to the pharmacy size and location. This important subject is discussed more thoroughly on pages 42 and 43.

Net Profit—Net profit, the difference between gross margin and total expenses, is not clearly related to sales volume, as Chart 1 indicates, although the higher and lower-sales-volume stores tended to show a smaller net profit as a percentage of total sales. A more detailed discussion of net profit will be found on page 36.

Inventory—Traditionally, merchandise inventory represents the largest investment of a typical independent community pharmacy. Because of its impact on profitability, the management of this asset should be given appropriate attention. The elements of an effective inventory control program include purchases commensurate with sales, allowing for seasonal variation and changing usage patterns as well as monitoring for pilferage. The real challenge of successful inventory management is to support an expanding level of sales activity while keeping the investment at the lowest level consistent with adequate consumer service.

One method of assessing inventory control is the "turnover ratio." Inventory turnover is determined by dividing the cost of goods sold by the average inventory at cost (opening plus ending inventory divided by 2). The calculated turnover rate is the number of times the average inventory is sold and replaced during the year. Table 3 offers an encouraging note—the turnover ratio tends to increase with growth in total sales even though the inventory dollar investment rises.

Pharmacy Hours—During 1980, the average LILLY DIGEST store was open 63 hours per week, as compared with 64 hours in 1979. Table 3 shows that the number of hours a pharmacy is open is directly related to sales volume. In the lower sales categories (under $250,000), the average pharmacy was open fewer than 60 hours per week. The midrange stores (between $250,000 and $500,000) tended to stay open between 60 and 66 hours. Those submitting sales figures between $500,000 and $1,000,000 were open 70 to 74 hours weekly, and stores with sales volume in excess of $1,000,000 were open 82 hours per week. The decision to remain open longer must be based on the profitability of the extra hours, or net profit will be reduced.

The number of hours worked by employed pharmacists was generally lower in 1980 than in the previous year. This probably reflects a trend toward shorter business hours and greater use of auxiliary personnel or mechanical methods to improve productivity. The hours a pharmacy is open and the hours worked by employed pharmacists may differ according to geographic region, location, and prescription activity. Tables concerning these parameters should be consulted when a pharmacy operation is evaluated.

The average prescription charge rose 9.3 percent during 1980, to $7.85—up 67 cents from the 1979 figure of $7.18. This statistic has been increasing in recent years, and the uptrend is occasionally cited as "proof" that prescription prices are rising. Such a conclusion cannot be drawn from the data, since the average prescription charge includes other variables in addition to the price—notably, the number of doses dispensed. Since 1967, the average prescription size has increased 42.1 percent; this suggests that it would be erroneous to use the average prescription charge as a measure of changes in pharmaceutical prices.

Accurate indicators of drug prices are to be found in the Consumer Price Index (CPI) and Wholesale Price Index (WPI), prepared and published by the U.S. Department of Labor's Bureau of Labor Statistics (BLS). Corresponding measures are independently prepared by Dr. John M. Firestone, of the City University of New York. Each of Dr. Firestone's indices of retail and wholesale drug prices includes many more drugs than either of the BLS measures. In cooperation with the Pharmaceutical Manufacturers Association, Dr. Firestone also compiles the Firestone Average Prescription Size Index. It should be noted that each of the BLS and Firestone indices takes into account changes in the total number of doses in a prescription.

Table 4 *The average prescription charge index compared with standard price indices (1967 = 100)*

Year	BLS-CPI Prescription Subsection	PMA-Firestone Retail Ethical Pharmaceuticals	BLS-WPI Ethical Pharmaceuticals Subsection	PMA-Firestone Wholesale Ethical Pharmaceuticals	LILLY DIGEST Average Prescription Charge	PMA-Firestone Average Prescription Size
1967	100.0	100.0	100.0	100.0	100.0	100.0
1968	98.3	99.2	99.0	99.1	102.7	102.6
1969	99.6	99.8	99.5	100.1	106.6	106.0
1970	101.2	101.3	99.2	101.0	110.9	109.5
1971	101.3	102.5	99.0	102.9	115.0	112.8
1972	100.9	102.9	99.9	102.4	119.7	117.7
1973	100.5	103.2	99.9	102.7	124.0	122.6
1974	102.9	105.2	104.2	109.3	131.4	127.0
1975	109.3	112.2	113.2	116.2	141.5	130.2
1976	115.2	116.9	120.3	123.8	154.6	135.1
1977	122.1	121.9	125.4	131.7	166.7	138.3
1978	132.1	128.7	131.9	138.8	179.5	138.6
1979	141.8	137.1	141.2	146.1	196.2	140.2
1980	154.8	147.0	153.7	158.9	214.5	142.1

Table 4 lists the CPI and the Firestone retail price index, the WPI and the Firestone wholesale price index, the LILLY DIGEST Average Prescription Charge Index, and the Firestone Average Prescription Size Index. The LILLY DIGEST Average Prescription Charge Index is higher than any of the other indices because it reflects the rapid growth of the average prescription size. For this reason, it should not be used to measure drug price changes. The LILLY DIGEST Average Prescription Charge Index is simply a ratio of prescription revenue to prescriptions dispensed.

Table 5 *Averages of pharmacy operations—1971-1980 (based on all pharmacies reporting)*

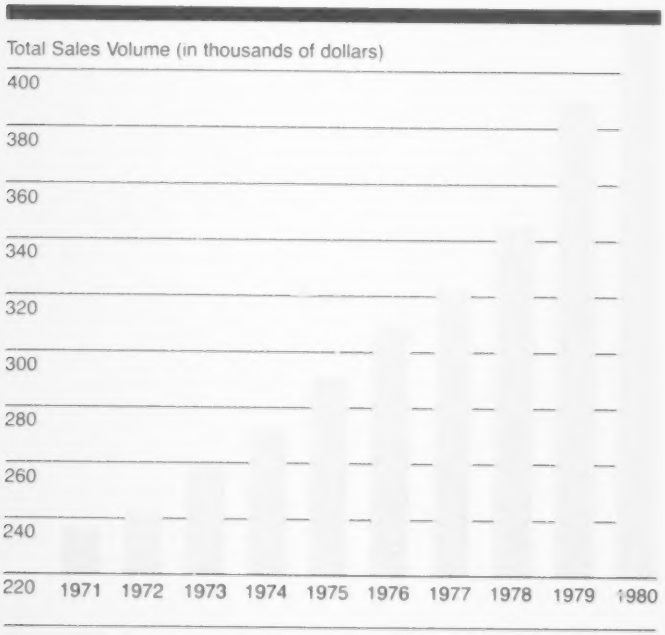
Expressed in Dollars

Year	Sales	Cost of Goods Sold	Gross Margin	Proprietor's Salary	Employees' Wages	Rent	Other Expenses	Total Expenses	Net Profit	Inventory at Cost
1971	$236,604	$151,963	$ 84,641	$18,932	$28,450	$ 5,842	$22,249	$ 75,473	$ 9,168	$40,814
1972	241,910	154,566	87,344	20,304	29,104	6,077	23,144	78,629	8,715	41,435
1973	259,122	165,601	93,521	21,050	30,596	6,571	25,530	83,747	9,774	44,104
1974	272,340	174,922	97,418	22,302	31,427	6,738	26,939	87,406	10,012	46,237
1975	293,785	189,624	104,161	22,469	34,471	7,248	28,972	93,160	11,001	48,781
1976	309,725	200,871	108,854	22,597	36,417	7,758	31,072	97,844	11,010	51,008
1977	322,755	209,954	112,801	22,622	38,063	8,080	33,013	101,778	11,023	53,382
1978	345,302	225,651	119,651	23,896	39,914	8,436	35,938	108,184	11,467	56,942
1979	391,681	257,334	134,347	25,346	46,759	9,783	40,844	122,732	11,615	64,066
1980	416,161	273,390	142,771	26,001	49,128	10,127	43,731	128,987	13,784	67,020

Ten-Year Trends in Pharmacy Operations—Chart 2 shows that a ten-year trend of ever-increasing sales volume in independent community pharmacies continued uninterrupted through 1980. Sales volume rose 6.2 percent over the previous year. This growth rate was lower than the average annual growth rate of 7.6 percent over the past decade.

Pharmacy operating data expressed in dollars and in percentages of sales are depicted for each of the past ten years in Table 5. The cost of goods sold has moved upward since 1973, but during 1980 it stopped its consistent rise and stabilized percentagewise. A lower level of total expenses also contributed to the improved net profit statistic for this year, which displayed the best gain in a decade. Over the ten-year period, net profit has generally declined from 3.9 percent of sales in 1971, although in dollars it has grown to $13,784. Rental expense declined slightly to 2.4 percent of sales, its second change during the decade. Proprietor's salary continued to drop in 1980 to 6.2 percent of sales, down from 8.0 percent established in 1971.

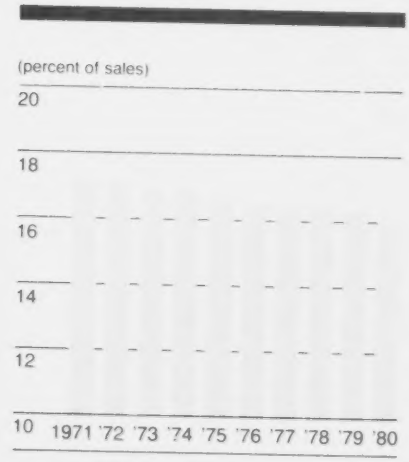
Chart 2 *A decade of sales growth*



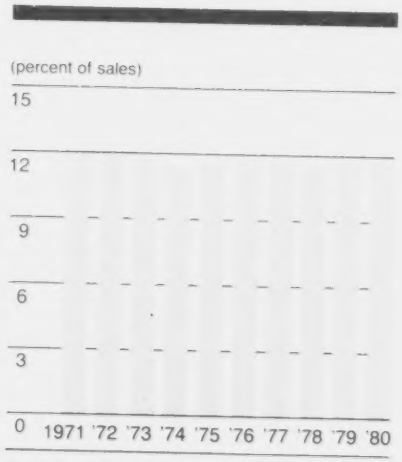
Expressed in Percentage of Sales

Year	Sales	Cost of Goods Sold	Gross Margin	Proprietor's Salary	Employees' Wages	Rent	Other Expenses	Total Expenses	Net Profit	Turnover (Times)
1971	100.0	64.2	35.8	8.0	12.0	2.5	9.4	31.9	3.9	3.8
1972	100.0	63.9	36.1	8.4	12.0	2.5	9.6	32.5	3.6	3.8
1973	100.0	63.9	36.1	8.1	11.8	2.5	9.9	32.3	3.8	3.9
1974	100.0	64.2	35.8	8.2	11.5	2.5	9.9	32.1	3.7	3.9
1975	100.0	64.5	35.5	7.7	11.7	2.5	9.9	31.8	3.7	4.0
1976	100.0	64.9	35.1	7.3	11.8	2.5	9.9	31.5	3.6	4.1
1977	100.0	65.1	34.9	7.0	11.8	2.5	10.2	31.5	3.4	4.0
1978	100.0	65.3	34.7	6.9	11.6	2.4	10.5	31.4	3.3	4.1
1979	100.0	65.7	34.3	6.5	11.9	2.5	10.4	31.3	3.0	4.2
1980	100.0	65.7	34.3	6.2	11.8	2.4	10.6	31.0	3.3	4.2

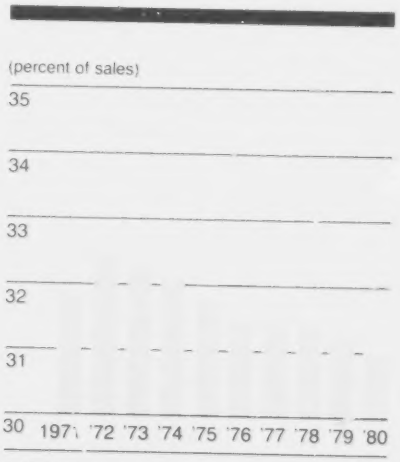
Ten-Year Trends in Pharmacy Operations



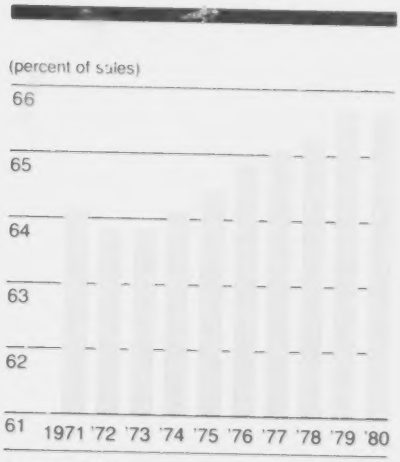
Inventory at Cost



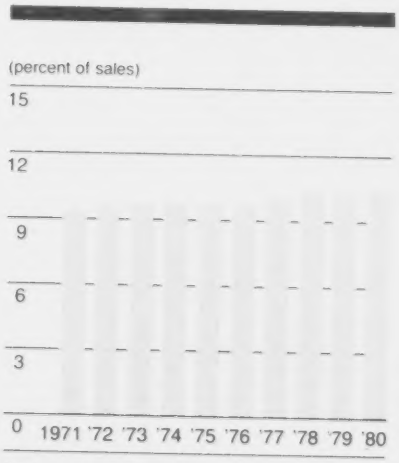
Employees' Wages



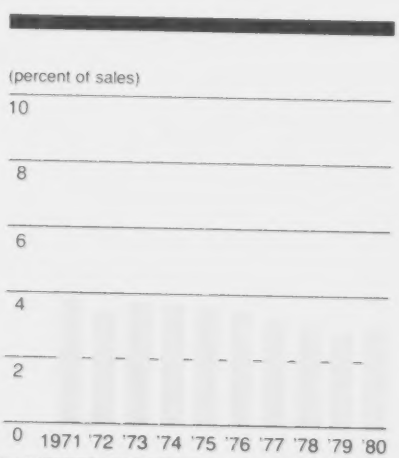
Total Expenses



Cost of Goods Sold



Other Expenses



Net Profit

Prescription Department Analysis

The prescription department has grown steadily in importance to the average independent community pharmacy operation. This suggests that the economic future of the typical operation will be closely aligned with a strong and viable prescription department. The department's contribution has grown from 35.3 percent of total sales revenue in 1961 to 51.2 percent in 1980. For the third time since 1977, more than half of all sales dollars originated from the professional area. Many pharmacy observers suggest that managers should spend even more time and effort in supporting and maintaining this growth trend.

Tables 7 and 8 depict operating statistics according to daily prescription volume and prescription income as a percent of total sales. Chart 3 illustrates operating statistics selected from these tables. As the number of prescriptions dispensed each day increases, total sales volume also rises. Growth in prescription revenue as a percent of sales is generally accompanied by an increase in gross margin to cover higher expenses. This is understandable, since additional professionals are usually needed to handle the large prescription volume. Along with rising prescription income, the general trend of net profit is upward.

Inventory investment tends to decline as a percent of sales with a higher ratio of prescription income to total sales. The result is a greater net profit per dollar of inventory in the prescription-oriented pharmacy. Small floor area and limited merchandising space are also characteristic of the prescription-oriented pharmacy. This could partially explain the lower inventory level, although better monitoring and control of inventory may be equally important factors in this type of operation.

The ratio of prescriptions per employed pharmacist hour may be low in merchandise-oriented pharmacies that dispense few prescriptions. This apparently unfavorable ratio is probably due to the legal requirement in most states that a pharmacist must be in attendance whenever the store is open, coupled with the low prescription activity. The proprietor will be required to spend more time on nonprescription-oriented tasks as daily prescription activity and total sales volume increase and will find the need to employ additional prescription area staff. These factors considered, it appears that pharmacists' prescription output increases as volume expands. On the average (and assuming that 75 percent of the proprietor's time was devoted to the prescription department), seven prescriptions per pharmacist hour were dispensed. This statistic was down slightly (0.2 prescription per pharmacist hour) when compared with similar data reported for 1979. In stores with the highest daily prescription activity, output approaches 14 prescriptions per pharmacist hour. This kind of productivity is probably associated with the use of pharmacy technicians and automated equipment.

The break-even point for the 2,070 pharmacies submitting data to the LILLY DIGEST was reached in 9.9 months, when 82.2 percent of total sales had been reached. Table 6 lists break-even data for the past ten years. The 1980 figure represents the same time period and percent of sales that were recorded for 1977. At the break-even point, all fixed costs of operation for the year are covered as well as the variable costs up to that time. All pharmacy costs are considered fixed except employees' wages, advertising, bad debts, and miscellaneous expenses. Beyond the break-even point, sales are reduced by the variable costs incurred thereafter. The remainder is net profit.

Table 6 *Average community pharmacy break-even data—1971-1980*

1971	9.6 months—79.9 percent of total sales
1972	9.9 months—82.3 percent of total sales
1973	9.8 months—81.5 percent of total sales
1974	9.8 months—82.0 percent of total sales
1975	9.7 months—81.2 percent of total sales
1976	9.8 months—81.8 percent of total sales
1977	9.9 months—82.2 percent of total sales
1978	9.9 months—82.7 percent of total sales
1979	10.1 months—84.2 percent of total sales
1980	9.9 months—82.2 percent of total sales

Chart 3 *Selected operating statistics according to prescription income as a percent of sales*

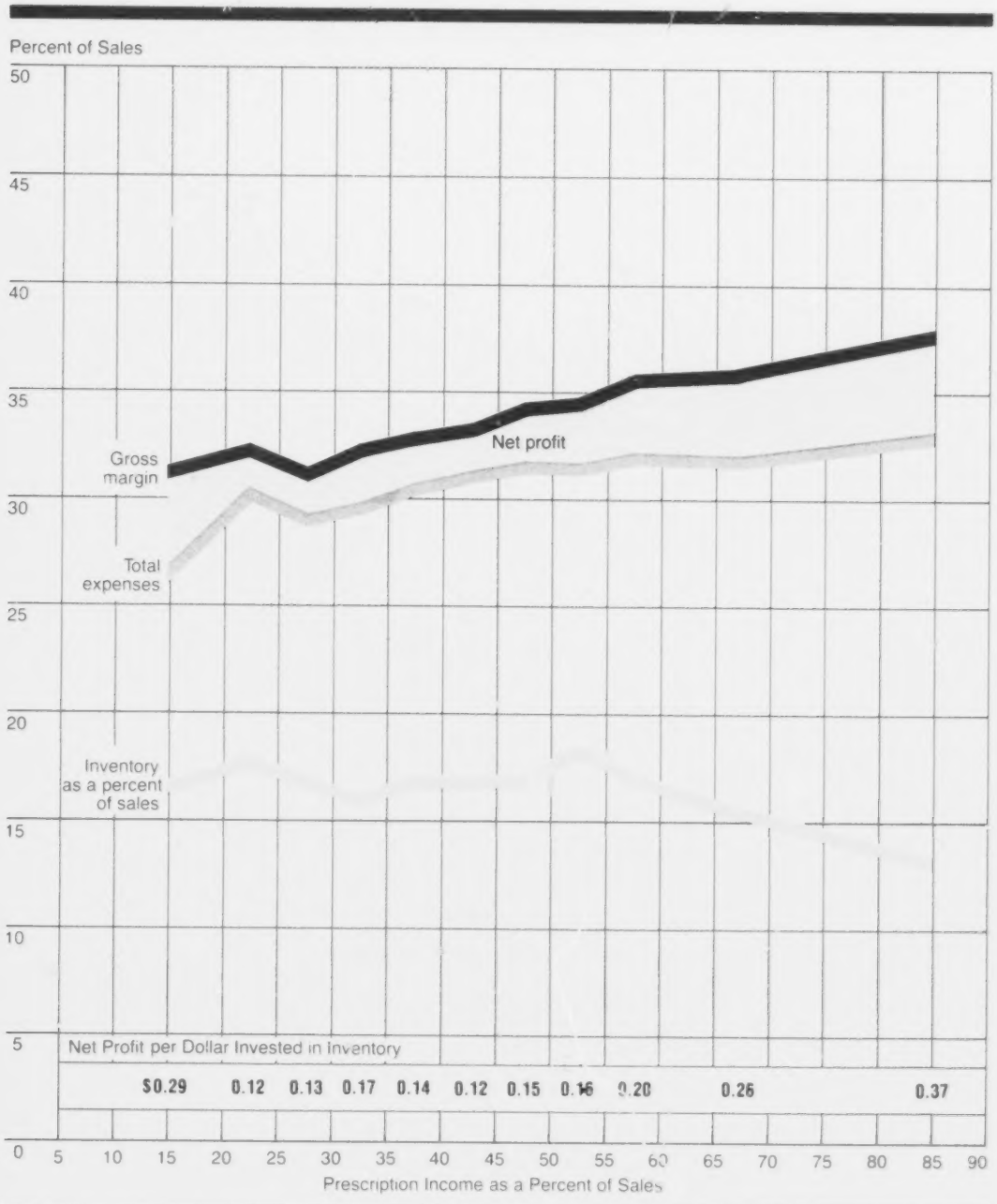


Table 7 *Summary by number of prescriptions dispensed daily in 1980*

Averages per Pharmacy	Under 25 Prescriptions Daily (116 Pharmacies)	25 to 35 Prescriptions Daily (178 Pharmacies)	35 to 50 Prescriptions Daily (354 Pharmacies)	50 to 60 Prescriptions Daily (272 Pharmacies)
Sales				
Prescription	$ 59,874— 36.4%	$ 88,525— 39.6%	$124,800— 49.9%	$158,214— 48.4%
Other	104,728— 63.6%	134,903— 60.4%	125,149— 50.1%	169,007— 51.6%
Total	$164,602—100.0%	$223,428—100.0%	$249,949—100.0%	$327,221—100.0%
Cost of goods sold	105,253— 63.9%	145,634— 65.2%	162,477— 65.0%	212,358— 64.9%
Gross margin	$ 59,349— 36.1%	$ 77,794— 34.8%	$ 87,472— 35.0%	$114,863— 35.1%
Expenses				
Proprietor's or manager's salary	$ 17,405— 10.6%	$ 19,278— 8.6%	$ 21,785— 8.7%	$ 24,059— 7.4%
Employees' wages	13,241— 8.0%	20,942— 9.4%	23,440— 9.4%	35,231— 10.8%
Rent	5,346— 3.2%	7,177— 3.2%	6,994— 2.8%	8,671— 2.6%
Heat, light, and power	1,790— 1.1%	2,797— 1.2%	2,663— 1.1%	3,135— 1.0%
Accounting, legal, and other professional fees	793— 0.5%	1,270— 0.6%	1,360— 0.6%	1,502— 0.5%
Taxes (except on buildings, income, and profit) and licenses	2,540— 1.6%	3,025— 1.4%	3,693— 1.5%	4,741— 1.4%
Insurance (except on buildings)	1,691— 1.0%	2,692— 1.2%	2,783— 1.1%	3,756— 1.1%
Interest paid	2,194— 1.4%	3,022— 1.4%	2,068— 0.8%	2,792— 0.9%
Repairs	692— 0.4%	916— 0.4%	1,043— 0.4%	1,139— 0.3%
Delivery	984— 0.6%	1,227— 0.5%	1,398— 0.6%	1,562— 0.5%
Advertising	2,174— 1.3%	2,649— 1.2%	2,890— 1.2%	3,588— 1.1%
Depreciation (except on buildings)	1,661— 1.0%	2,321— 1.0%	2,528— 1.0%	3,026— 0.9%
Bad debts charged off	178— 0.1%	311— 0.1%	339— 0.1%	367— 0.1%
Telephone	803— 0.5%	1,095— 0.5%	1,076— 0.4%	1,182— 0.4%
Miscellaneous	4,412— 2.7%	5,762— 2.6%	6,102— 2.4%	9,152— 2.8%
	12.2%	12.1%	11.2%	11.0%
Total expenses	$ 55,904— 34.0%	$ 74,484— 33.3%	$ 80,162— 32.1%	$103,903— 31.8%
Net profit (before taxes)	$ 3,445— 2.1%	$ 3,310— 1.5%	$ 7,310— 2.9%	$ 10,960— 3.3%
Add proprietor's withdrawals	17,405— 10.6%	19,278— 8.6%	21,785— 8.7%	24,059— 7.4%
Total income of self-employed proprietor (before taxes on income and profits)	$ 20,850— 12.7%	$ 22,588— 10.1%	$ 29,095— 11.6%	$ 35,019— 10.7%
Value of inventory at cost and as a percent of sales				
Prescription	$ 11,851— 19.8%	$ 14,751— 16.7%	$ 18,428— 14.8%	$ 20,181— 12.8%
Other	25,485— 24.3%	33,520— 24.8%	29,320— 23.4%	36,123— 21.4%
Total	$ 37,336— 22.7%	$ 48,271— 21.6%	$ 47,748— 19.1%	$ 56,304— 17.2%
Annual rate of turnover of inventory	2.9 times	3.1 times	3.5 times	3.9 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	264 $228.20	300 $293.77	363 $344.98	339 $468.02
Other	1,417 74.35	1,808 74.80	1,677 75.13	1,901 88.92
Total	1,681 104.18	2,108 112.30	2,040 130.25	2,240 155.23
Sales per dollar invested in inventory				
Prescription	$5.05	$6.00	$6.77	$7.84
Other	4.11	4.02	4.27	4.68
Net profit per dollar invested in inventory	$0.092	$0.069	$0.153	$0.195
Number of prescriptions dispensed				
New	3,674— 52.8%	5,343— 49.1%	7,438— 48.9%	9,673— 49.1%
Renewed	3,287— 47.2%	5,544— 50.9%	7,765— 51.1%	10,010— 50.9%
Total	6,961—100.0%	10,887—100.0%	15,203—100.00%	19,683—100.0%
Prescription charge	$8.60	$8.13	$8.21	$8.04
Number of hours per week				
Pharmacy was open	55 hours	58 hours	58 hours	62 hours
Worked by proprietor	46 hours	53 hours	49 hours	50 hours
Worked by employed pharmacist(s)	15 hours	16 hours	18 hours	32 hours

*Based on averages of pharmacies that reported all data

60 to 75 Prescriptions Daily (330 Pharmacies)	75 to 100 Prescriptions Daily (386 Pharmacies)	100 to 125 Prescriptions Daily (195 Pharmacies)	125 to 150 Prescriptions Daily (105 Pharmacies)	150 to 200 Prescriptions Daily (86 Pharmacies)	Over 200 Prescriptions Daily (48 Pharmacies)
$195,267— 51.9%	$244,248— 49.9%	$307,009— 53.8%	$381,039— 54.2%	$462,567— 55.4%	$ 677,380— 59.2%
181,097— 48.1%	245,451— 50.1%	264,164— 46.2%	322,043— 45.8%	372,100— 44.6%	466,291— 40.8%
$376,364—100.0%	$489,699—100.0%	$571,173—100.0%	$703,082—100.0%	$834,667—100.0%	$1,143,671—100.0%
244,246— 64.9%	324,528— 66.3%	375,403— 65.7%	464,367— 66.0%	557,065— 66.7%	766,008— 67.0%
$132,118— 35.1%	$165,171— 33.7%	$195,770— 34.3%	$238,715— 34.0%	$277,602— 33.3%	$ 377,663— 33.0%
$ 25,923— 6.9%	$ 28,879— 5.9%	$ 30,918— 5.4%	$ 32,924— 4.7%	$ 35,958— 4.3%	$ 38,254— 3.3%
42,976— 11.4%	59,128— 12.1%	72,730— 12.7%	92,639— 13.2%	109,708— 13.1%	170,868— 14.9%
9,219— 2.4%	11,003— 2.2%	13,183— 2.3%	15,843— 2.3%	19,047— 2.3%	22,253— 1.9%
3,438— 0.9%	4,409— 0.9%	4,589— 0.8%	5,003— 0.7%	5,784— 0.7%	7,638— 0.7%
1,825— 0.5%	2,373— 0.5%	2,367— 0.4%	3,063— 0.4%	3,788— 0.5%	4,880— 0.4%
5,646— 1.5%	7,401— 1.5%	8,916— 1.6%	11,208— 1.6%	11,857— 1.4%	17,930— 1.6%
4,097— 1.1%	5,179— 1.1%	6,601— 1.2%	7,134— 1.0%	8,606— 1.0%	12,226— 1.1%
3,073— 0.8%	2,956— 0.6%	2,688— 0.5%	3,361— 0.5%	4,131— 0.5%	6,972— 0.6%
1,378— 0.4%	1,706— 0.4%	1,858— 0.3%	2,118— 0.3%	3,058— 0.4%	4,749— 0.4%
1,769— 0.5%	2,272— 0.5%	2,626— 0.5%	3,164— 0.4%	3,671— 0.4%	4,857— 0.4%
4,128— 1.1%	5,069— 1.0%	6,314— 1.1%	8,705— 1.2%	8,512— 1.0%	12,121— 1.1%
3,281— 0.9%	4,100— 0.8%	4,110— 0.7%	5,471— 0.8%	7,398— 0.9%	8,987— 0.8%
506— 0.1%	628— 0.1%	755— 0.1%	1,432— 0.2%	790— 0.1%	1,672— 0.1%
1,391— 0.4%	1,596— 0.3%	1,983— 0.3%	1,981— 0.3%	2,440— 0.3%	3,293— 0.3%
9,156— 2.4%	10,644— 2.2%	16,273— 2.9%	20,841— 3.0%	23,788— 2.9%	29,792— 2.6%
10.6%	9.9%	10.4%	10.4%	10.1%	10.1%
$117,806— 31.3%	$147,343— 30.1%	$175,911— 30.8%	$214,887— 30.6%	$248,536— 29.8%	$ 346,492— 30.2%
$ 14,312— 3.8%	$ 17,828— 3.6%	$ 19,859— 3.5%	$ 23,828— 3.4%	$ 29,066— 3.5%	$ 31,171— 2.8%
25,923— 6.9%	28,879— 5.9%	30,918— 5.4%	32,924— 4.7%	35,958— 4.3%	38,254— 3.3%
$ 40,235— 10.7%	$ 46,707— 9.5%	$ 50,777— 8.9%	$ 56,752— 8.1%	$ 65,024— 7.8%	$ 69,425— 6.1%
$ 23,655— 12.1%	$ 27,011— 11.1%	$ 31,824— 10.4%	$ 37,091— 9.7%	$ 45,229— 9.8%	$ 57,672— 8.5%
39,391— 21.8%	48,764— 19.9%	51,577— 19.5%	60,968— 18.9%	68,799— 18.5%	91,703— 19.7%
$ 63,046— 16.8%	$ 75,775— 15.5%	$ 83,401— 14.6%	$ 98,059— 13.9%	$114,028— 13.7%	$ 149,375— 13.1%
4.0 times	4.4 times	4.6 times	4.9 times	5.1 times	5.2 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
368 $533.34	406 $603.22	463 $663.47	463 $823.73	478 $973.73	789 $856.40
2,080 89.40	2,464 97.68	2,595 104.29	2,576 123.44	2,828 121.54	3,387 139.42
2,448 163.11	2,870 180.43	3,058 197.96	3,039 242.94	3,306 281.95	4,176 337.05
$8.25	$9.04	$9.65	$10.27	$10.23	$11.75
4.60	5.03	5.12	5.28	5.41	5.08
$0.227	$0.235	$0.238	$0.243	$0.255	$0.209
11,672— 48.2%	15,445— 49.7%	19,683— 50.1%	25,080— 51.0%	30,708— 50.5%	46,406— 49.1%
12,520— 51.8%	15,658— 50.3%	19,799— 49.9%	24,138— 49.0%	30,147— 49.5%	48,187— 50.9%
24,192—100.0%	31,103—100.0%	39,682—100.0%	49,218—100.0%	60,855—100.0%	94,593—100.0%
$8.07	$7.85	$7.74	$7.74	$7.60	$7.16
64 hours	65 hours	69 hours	67 hours	72 hours	74 hours
49 hours	48 hours	48 hours	49 hours	47 hours	49 hours
32 hours	46 hours	60 hours	67 hours	77 hours	105 hours

Table 8 *Summary of prescription income in 1980*

Averages per Pharmacy	Prescription Income under 20 Percent of Sales (47 Pharmacies)	Prescription Income 20 to 25 Percent of Sales (50 Pharmacies)	Prescription Income 25 to 30 Percent of Sales (103 Pharmacies)	Prescription Income 30 to 35 Percent of Sales (99 Pharmacies)	Prescription Income 35 to 40 Percent of Sales (147 Pharmacies)
Sales					
Prescription	$128,422— 14.8%	$140,063— 22.3%	$191,588— 27.6%	$195,297— 32.5%	$195,007— 37.4%
Other	739,999— 85.2%	487,469— 77.7%	501,702— 72.4%	405,497— 67.5%	325,992— 62.6%
Total	$868,421—100.0%	$627,532—100.0%	$693,290—100.0%	$600,794—100.0%	$520,999—100.0%
Cost of goods sold	597,792— 68.8%	424,713— 67.7%	477,298— 68.8%	406,981— 67.7%	349,370— 67.1%
Gross margin	$270,629— 31.2%	$202,819— 32.3%	$215,992— 31.2%	$193,813— 32.3%	$171,629— 32.9%
Expenses					
Proprietor's or manager's salary	$ 31,575— 3.6%	$ 31,296— 5.0%	$ 31,557— 4.6%	$ 28,815— 4.8%	$ 26,618— 5.1%
Employees' wages	103,239— 11.9%	77,072— 12.3%	81,892— 11.8%	71,882— 12.0%	63,459— 12.2%
Rent	22,111— 2.5%	19,053— 3.0%	16,215— 2.3%	15,415— 2.6%	13,124— 2.5%
Heat, light, and power	7,750— 0.9%	6,374— 1.0%	6,244— 0.9%	5,593— 0.9%	5,382— 1.0%
Accounting, legal, and other professional fees	3,111— 0.4%	2,461— 0.4%	2,563— 0.4%	2,416— 0.4%	2,394— 0.5%
Taxes (except on buildings, income, and profit) and licenses	12,436— 1.4%	9,208— 1.5%	11,279— 1.6%	8,910— 1.5%	8,209— 1.6%
Insurance (except on buildings)	8,549— 1.0%	6,953— 1.1%	6,695— 1.0%	6,079— 1.0%	6,151— 1.2%
Interest paid	6,991— 0.8%	3,563— 0.6%	4,071— 0.6%	3,997— 0.7%	3,247— 0.6%
Repairs	3,115— 0.4%	2,368— 0.4%	2,652— 0.4%	2,461— 0.4%	2,014— 0.4%
Delivery	2,354— 0.3%	2,132— 0.3%	2,113— 0.3%	2,104— 0.4%	2,141— 0.4%
Advertising	10,963— 1.3%	6,902— 1.1%	9,165— 1.3%	7,461— 1.2%	5,982— 1.1%
Depreciation (except on buildings)	7,330— 0.8%	4,998— 0.8%	5,041— 0.7%	4,855— 0.8%	4,410— 0.8%
Bad debts charged off	670— 0.1%	572— 0.1%	611— 0.1%	568— 0.1%	632— 0.1%
Telephone	2,002— 0.2%	1,669— 0.2%	1,875— 0.3%	1,783— 0.3%	1,663— 0.3%
Miscellaneous	6,095— 0.7%	14,265— 2.3%	18,915— 2.7%	14,683— 2.4%	13,457— 2.6%
	8.3%	9.8%	10.3%	10.1%	10.6%
Total expenses	$228,291— 26.3%	$188,686— 30.1%	$200,888— 29.0%	$177,022— 29.5%	$158,883— 30.4%
Net profit (before taxes)	$ 42,338— 4.9%	$ 13,933— 2.2%	$ 15,104— 2.2%	$ 16,791— 2.8%	$ 12,746— 2.5%
Add proprietor's withdrawals	31,575— 3.6%	31,296— 5.0%	31,557— 4.6%	28,815— 4.8%	26,618— 5.1%
Total income of self-employed proprietor (before taxes on income and profits)	$ 73,913— 8.5%	$ 45,229— 7.2%	$ 46,661— 6.8%	$ 45,606— 7.6%	$ 39,364— 7.6%
Value of inventory at cost and as a percent of sales					
Prescription	$ 19,468— 15.2%	$ 22,866— 16.3%	$ 24,302— 12.7%	$ 23,432— 12.0%	$ 22,527— 11.6%
Other	123,578— 16.7%	87,387— 17.9%	92,071— 18.4%	72,123— 17.8%	64,972— 19.9%
Total	$143,046— 16.5%	$110,253— 17.6%	$116,373— 16.8%	$ 95,555— 15.9%	$ 87,499— 16.8%
Annual rate of turnover of inventory	4.3 times	3.9 times	4.2 times	4.4 times	4.1 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	381 $309.07	326 $427.06	419 $463.38	365 $536.71	401 $482.70
Other	4,705 145.19	3,544 136.33	3,917 129.94	3,324 123.06	3,005 107.85
Total	5,086 157.46	3,870 160.81	4,336 162.13	3,689 164.01	3,406 152.01
Sales per dollar invested in inventory					
Prescription	$6.60	$6.13	$7.88	$8.33	$8.66
Other	5.99	5.58	5.45	5.62	5.02
Net profit per dollar invested in inventory	$0.296	$0.126	$0.130	$0.176	$0.146
Number of prescriptions dispensed					
New	8,742— 54.3%	9,554— 53.5%	13,013— 52.0%	12,658— 50.7%	12,767— 51.7%
Renewed	7,365— 45.7%	8,304— 46.5%	11,991— 48.0%	12,298— 49.3%	11,904— 48.3%
Total	16,107—100.0%	17,858—100.0%	25,004—100.0%	24,956—100.0%	24,671—100.0%
Prescription charge	$7.97	$7.84	$7.66	$7.83	$7.90
Number of hours per week					
Pharmacy was open	73 hours	72 hours	73 hours	72 hours	69 hours
Worked by proprietor	49 hours	51 hours	51 hors	51 hours	49 hours
Worked by employed pharmacist(s)	53 hours	54 hours	59 hours	57 hours	48 hours

*Based on averages of pharmacies that reported all data

Prescription Income 40 to 45 Percent of Sales (172 Pharmacies)	Prescription Income 45 to 50 Percent of Sales (174 Pharmacies)	Prescription Income 50 to 55 Percent of Sales (181 Pharmacies)	Prescription Income 55 to 60 Percent of Sales (168 Pharmacies)	Prescription Income 60 to 75 Percent of Sales (496 Pharmacies)	Prescription Income over 75 Percent of Sales (433 Pharmacies)
$208,895— 42.8%	$215,129— 47.5%	$198,272— 52.6%	$208,514— 57.5%	$228,403— 66.9%	$236,638— 85.0%
279,657— 57.2%	237,839— 52.5%	178,823— 47.4%	154,197— 42.5%	112,827— 33.1%	41,653— 15.0%
$488,552—100.0%	$452,968—100.0%	$377,095—100.0%	$362,711—100.0%	$341,230—100.0%	$278,291—100.0%
326,288— 66.8%	297,905— 65.8%	247,502— 65.6%	233,989— 64.5%	219,330— 64.3%	173,033— 62.2%
$162,264— 33.2%	$155,063— 34.2%	$129,593— 34.4%	$128,722— 35.5%	$121,900— 35.7%	$105,258— 37.8%
$ 26,538— 5.4%	$ 26,640— 5.9%	$ 24,129— 6.4%	$ 25,196— 6.9%	$ 24,749— 7.3%	$ 24,671— 8.9%
62,583— 12.8%	56,768— 12.5%	44,962— 11.9%	42,141— 11.6%	39,346— 11.5%	29,411— 10.6%
11,214— 2.3%	10,187— 2.2%	8,371— 2.2%	7,952— 2.2%	7,696— 2.3%	8,025— 2.9%
4,591— 0.9%	4,451— 1.0%	3,708— 1.0%	3,533— 1.0%	2,895— 0.8%	1,583— 0.5%
2,165— 0.5%	2,063— 0.5%	1,696— 0.5%	1,765— 0.5%	1,742— 0.5%	1,724— 0.6%
7,358— 1.5%	6,954— 1.5%	5,512— 1.5%	5,936— 1.6%	5,011— 1.5%	3,912— 1.4%
5,483— 1.1%	5,292— 1.2%	4,238— 1.1%	4,286— 1.2%	3,794— 1.1%	2,814— 1.0%
3,936— 0.8%	3,249— 0.7%	2,746— 0.7%	2,878— 0.8%	2,372— 0.7%	1,864— 0.7%
1,705— 0.4%	1,614— 0.3%	1,642— 0.4%	1,320— 0.4%	1,174— 0.3%	827— 0.3%
2,088— 0.4%	2,056— 0.5%	2,300— 0.6%	1,844— 0.5%	1,869— 0.5%	1,798— 0.6%
5,940— 1.2%	5,385— 1.2%	3,922— 1.1%	4,126— 1.1%	3,387— 1.0%	2,395— 0.9%
4,235— 0.9%	4,119— 0.9%	3,493— 0.9%	3,529— 1.0%	2,963— 0.9%	2,426— 0.9%
588— 0.1%	501— 0.1%	459— 0.1%	504— 0.1%	584— 0.2%	539— 0.2%
1,522— 0.3%	1,580— 0.3%	1,391— 0.4%	1,510— 0.4%	1,312— 0.4%	1,255— 0.4%
12,274— 2.5%	12,068— 2.7%	9,704— 2.6%	9,581— 2.7%	9,292— 2.7%	8,289— 3.0%
10.6%	10.9%	10.9%	11.3%	10.6%	10.5%
$152,220— 31.1%	$142,927— 31.5%	$118,273— 31.4%	$116,101— 32.0%	$108,186— 31.7%	$ 91,533— 32.9%
$ 10,044— 2.1%	$ 12,136— 2.7%	$ 11,320— 3.0%	$ 12,621— 3.5%	$ 13,714— 4.0%	$ 13,725— 4.9%
26,538— 5.4%	26,640— 5.9%	24,129— 6.4%	25,196— 6.9%	24,749— 7.3%	24,671— 8.9%
$ 36,582— 7.5%	$ 38,776— 8.6%	$ 35,449— 9.4%	$ 37,817— 10.4%	$ 38,463— 11.3%	$ 38,396— 13.8%
$ 24,826— 11.9%	$ 24,670— 11.5%	$ 24,915— 12.6%	$ 23,364— 11.2%	$ 25,431— 11.1%	$ 25,867— 10.9%
57,135— 20.4%	52,043— 21.9%	44,134— 24.7%	38,690— 25.1%	27,031— 24.0%	10,616— 25.5%
$ 81,961— 16.8%	$ 76,713— 16.9%	$ 69,049— 18.3%	$ 62,054— 17.1%	$ 52,462— 15.4%	$ 36,483— 13.1%
4.1 times	4.0 times	3.7 times	3.9 times	4.3 times	4.9 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
361 $561.44	373 $578.93	374 $524.07	363 $575.83	392 $577.22	404 $584.50
2,670 101.88	2,518 94.93	2,192 80.62	2,059 75.06	1,668 66.74	825 50.96
3,031 156.60	2,891 157.40	2,566 145.20	2,422 150.06	2,060 163.89	1,229 226.39
$8.41	$8.72	$7.96	$8.92	$8.98	$9.15
4.89	4.57	4.05	3.99	4.17	3.92
$0.123	$0.158	$0.164	$0.203	$0.261	$0.376
13,259— 48.9%	13,360— 50.3%	12,350— 48.8%	12,660— 47.2%	14,137— 47.9%	15,001— 50.7%
13,848— 51.1%	13,227— 49.7%	12,959— 51.2%	14,178— 52.8%	15,379— 52.1%	14,582— 49.3%
27,107—100.0%	26,587—100.0%	25,309—100.0%	26,838—100.0%	29,516—100.0%	29,583—100.0%
$7.71	$8.09	$7.83	$7.77	$7.74	$8.00
68 hours	67 hours	65 hours	64 hours	60 hours	55 hours
49 hours	50 hours	49 hours	50 hours	48 hours	47 hours
47 hours	45 hours	37 hours	36 hours	33 hours	26 hours

Table 9 *Prescription trends in LILLY DIGEST pharmacies*

Year	Averages per Pharmacy: Prescription Sales	Percentage of Prescription Sales to Total Sales	Number of Prescriptions	Percent Renewals	Prescription Charge	Prescription Inventory	Prescription Sales per Dollar of Prescription Inventory
1961	$ 49,144	35.3%	15,135	51.1%	3.25	8,400	$5.85
1962	52,578	36.0%	15,817	52.1%	3.32	8,620	6.10
1963	58,688	38.3%	17,320	52.0%	3.39	9,270	6.33
1964	63,157	39.0%	18,532	53.7%	3.41	9,495	6.65
1965	68,587	40.9%	19,708	53.7%	3.48	9,928	6.91
1966	71,586	41.0%	19,962	53.6%	3.59	10,235	6.99
1967	78,789	41.8%	21,544	54.5%	3.66	10,881	7.24
1968	85,953	43.2%	22,848	54.8%	3.76	11,478	7.49
1969	93,299	43.7%	23,951	54.5%	3.90	12,220	7.63
1970	98,445	44.5%	24,243	54.8%	4.06	12,592	7.82
1971	105,875	44.7%	25,122	54.9%	4.21	13,268	7.93
1972	112,777	46.6%	25,743	54.1%	4.38	13,969	8.07
1973	122,615	47.3%	27,019	54.5%	4.54	14,827	8.27
1974	130,384	47.9%	27,089	53.7%	4.81	15,925	8.19
1975	142,915	48.6%	27,572	53.0%	5.18	17,342	8.24
1976	153,735	49.6%	27,163	52.7%	5.66	18,554	8.29
1977	162,631	50.4%	26,649	51.5%	6.10	19,471	8.35
1978	176,705	51.2%	26,913	51.6%	6.57	21,133	8.36
1979	195,159	49.8%	27,187	50.3%	7.18	22,941	8.51
1980	212,949	51.2%	27,126	50.4%	7.85	24,639	8.64

Twenty Years of Prescription Department Data—Prescription revenue has tended to increase as a percent of sales every year except 1979, when it fell slightly below the previous year's level. Notably, in 1980, the number of prescriptions dispensed declined slightly, although renewed prescriptions still accounted for the larger share of all prescriptions issued (Table 9). The ratio of new to total prescriptions changed only slightly during 1980 and will be watched closely in the future to detect any changing dispensing patterns. It has been suggested that the declining number of new products, more stringent prescribing regulations, and/or government and other third-party programs may affect the ratio of new to renewed prescriptions.

As mentioned earlier, the prescription department has become the major revenue-generating center in the store. Table 9 depicts the 20-year growth in the number of prescriptions dispensed and indicates that the trend will continue, reemphasizing the vital role the professional department plays in the economic health of community pharmacy operations.

Prescription inventories have risen dollarwise since 1961; however, prescription sales per dollar of prescription inventory for the same period have been increasing at a faster rate in a general upward trend in sales productivity per inventory dollar. This reflects a faster growth in prescription revenue in relation to prescription inventory. The $8.64 in prescription sales for each dollar invested in prescription inventory in 1980 can be contrasted with a return of $4.79 on nonprescription inventory; these figures support the fact that prescription department inventory continues to be more productive than nonprescription stock.

THE HEART OF THE LILLY DIGEST

This section contains 34 categories of averages arranged according to both annual sales volume and daily prescription activity (Tables 10 through 15). Because of the greater number and sales ranges of pharmacies reporting to the LILLY DIGEST this year, a new category has been added to provide a comparison with operations attaining more than $1,000,000 total sales volume. A generally accepted accounting format is used to display the operating data so that comparisons can be made with any pharmacy's figures. Page 55 contains a work sheet that may be useful for this purpose.

Averages per Pharmacy	Total Sales Under $100,000 (54 Pharmacies)	
Sales		
Prescription	$58,771	74.6%
Other	19,982	25.4%
Total	$78,753	100.0%
Cost of goods sold	48,497	61.6%
Gross margin	$30,256	38.4%
Expenses		
Proprietor's or manager's salary	$14,519	18.4%
Employees' wages	2,938	3.7%
Rent	3,338	4.2%
Heat, light, and power	766	1.0%
Accounting, legal, and other professional fees	405	0.5%
Taxes (except on buildings, income, and profit) and licenses	830	1.1%
Insurance (except on buildings)	864	1.1%
Interest paid	1,287	1.6%
Repairs	309	0.4%
Delivery	599	0.8%
Advertising	828	1.1%
Depreciation (except on buildings)	801	1.0%
Bad debts charged off	114	0.1%
Telephone	652	0.8%
Miscellaneous	1,650	2.1%
		11.6%
Total expenses	$29,900	37.9%
Net profit (before taxes)	$ 356	0.5%
Add proprietor's withdrawals	14,519	18.4%
Total income of self-employed proprietor (before taxes on income and profits)	$14,875	18.9%
Value of inventory at cost and as a percent of sales		
Prescription	$11,801	20.1%
Other	6,485	32.5%
Total	$18,286	23.2%
Annual rate of turnover of inventory	2.7 times	
Size of area and sales per square foot*	sq. ft.	
Prescription	262	$222.26
Other	639	32.47
Total	901	87.58
Sales per dollar invested in inventory		
Prescription	$4.98	
Other	3.08	
Net profit per dollar invested in inventory	$0.020	
Number of prescriptions dispensed		
New	4,110	50.3%
Renewed	4,054	49.7%
Total	8,164	100.0%
Prescription charge	$7.20	
Number of hours per week		
Pharmacy was open	49 hours	
Worked by proprietor	44 hours	
Worked by employed pharmacist(s)	10 hours	

*Based on averages of pharmacies that reported all data

Find and Compare

Table

Sales under $200,000

Total Sales	Total Sales	
$100,000-$150,000	$150,000-$200,000	
(122 Pharmacies)	Under 50 Prescriptions Daily (165 Pharmacies)	Over 50 Prescriptions Daily (56 Pharmacies)
$ 88,513— 69.7%	$107,002— 60.9%	$150,593— 84.8%
38,531— 30.3%	68,704— 39.1%	26,986— 15.2%
$127,044—100.0%	$175,706—100.0%	$177,579—100.0%
79,567— 62.6%	110,512— 62.9%	111,926— 63.0%
$ 47,477— 37.4%	$ 65,194— 37.1%	$ 65,653— 37.0%
$ 17,546— 13.8%	$ 19,123— 10.9%	$ 20,735— 11.7%
7,625— 6.0%	14,055— 8.0%	13,061— 7.4%
4,772— 3.8%	5,518— 3.1%	5,741— 3.2%
1,482— 1.2%	1,955— 1.1%	1,473— 0.8%
846— 0.7%	994— 0.6%	1,174— 0.7%
1,703— 1.3%	2,499— 1.4%	2,291— 1.3%
1,392— 1.1%	1,951— 1.1%	2,150— 1.2%
1,711— 1.3%	1,899— 1.1%	1,859— 1.0%
427— 0.3%	734— 0.4%	614— 0.3%
762— 0.6%	1,296— 0.7%	1,332— 0.8%
1,364— 1.1%	1,940— 1.1%	1,352— 0.8%
1,380— 1.1%	1,882— 1.1%	1,930— 1.1%
211— 0.2%	267— 0.2%	217— 0.1%
862— 0.7%	959— 0.6%	1,071— 0.6%
3,218— 2.5%	4,754— 2.7%	4,287— 2.4%
12.1%	12.1%	11.1%
$ 45,301— 35.7%	$ 59,826— 34.1%	$ 59,287— 33.4%
$ 2,176— 1.7%	$ 5,368— 3.0%	$ 6,366— 3.6%
17,546— 13.8%	19,123— 10.9%	20,735— 11.7%
$ 19,722— 15.5%	$ 24,491— 13.9%	$ 27,101— 15.3%
$ 14,487— 16.4%	$ 17,184— 16.1%	$ 18,934— 12.6%
11,373— 29.5%	20,171— 29.4%	6,184— 22.9%
$ 25,860— 20.4%	$ 37,355— 21.3%	$ 25,118— 14.1%
3.1 times	3.0 times	4.6 times
sq. ft.	sq. ft.	sq. ft.
328 $269.86	324 $329.17	350 $429.36
915 42.11	1,279 53.96	814 33.81
1,243 102.21	1,603 109.51	1,164 152.64
$6.10	$6.23	$7.95
3.39	3.41	4.36
$0.084	$0.140	$0.250
5,938— 50.6%	6,350— 49.0%	10,848— 51.5%
5,789— 49.4%	6,602— 51.0%	10,231— 48.5%
11,727—100.0%	12,952—100.0%	21,079—100.0%
$7.54	$8.26	$7.14
52 hours	57 hours	53 hours
49 hours	51 hours	50 hours
10 hours	11 hours	20 hours

Averages per Pharmacy	Total Sales $200,000-$250,000 Under 50 Prescriptions Daily (118 Pharmacies)	Over 50 Prescriptions Daily (126 Pharmacies)
Sales		
Prescription	$112,473— 50.7%	$170,439— 75.2%
Other	109,359— 49.3%	56,151— 24.8%
Total	$221,832—100.0%	$226,590—100.0%
Cost of goods sold	142,979— 64.5%	142,511— 62.9%
Gross margin	$ 78,853— 35.5%	$ 84,079— 37.1%
Expenses		
Proprietor's or manager's salary	$ 21,263— 9.6%	$ 23,855— 10.5%
Employees' wages	19,224— 8.7%	19,199— 8.5%
Rent	6,008— 2.7%	6,180— 2.7%
Heat, light, and power	2,568— 1.2%	1,787— 0.8%
Accounting, legal, and other professional fees	1,298— 0.6%	1,155— 0.5%
Taxes (except on buildings, income, and profit) and licenses	3,347— 1.5%	2,910— 1.3%
Insurance (except on buildings)	2,831— 1.3%	2,344— 1.0%
Interest paid	2,320— 1.0%	1,886— 0.8%
Repairs	998— 0.4%	609— 0.3%
Delivery	1,400— 0.6%	1,377— 0.6%
Advertising	2,471— 1.1%	2,406— 1.1%
Depreciation (except on buildings)	2,102— 0.9%	1,919— 0.8%
Bad debts charged off	294— 0.1%	401— 0.2%
Telephone	1,017— 0.5%	1,060— 0.5%
Miscellaneous	5,198— 2.4%	5,656— 2.5%
	11.6%	10.4%
Total expenses	$ 72,339— 32.6%	$ 72,744— 32.1%
Net profit (before taxes)	$ 6,514— 2.9%	$ 11,335— 5.0%
Add proprietor's withdrawals	21,263— 9.6%	23,855— 10.5%
Total income of self-employed proprietor (before taxes on income and profits)	$ 27,777— 12.5%	$ 35,190— 15.5%
Value of inventory at cost and as a percent of sales		
Prescription	$ 16,330— 14.5%	$ 21,213— 12.4%
Other	28,373— 25.9%	14,175— 25.2%
Total	$ 44,703— 20.2%	$ 35,388— 15.6%
Annual rate of turnover of inventory	3.3 times	4.1 times
Size of area and sales per square foot*	sq. ft.	sq. ft.
Prescription	343 $326.79	360 $473.42
Other	1,673 65.69	1,073 52.41
Total	2,016 110.08	1,433 158.14
Sales per dollar invested in inventory		
Prescription	$6.89	$8.03
Other	3.85	3.96
Net profit per dollar invested in inventory	$0.150	$0.320
Number of prescriptions dispensed		
New	6,470— 48.7%	11,130— 48.5%
Renewed	6,805— 51.3%	11,806— 51.5%
Total	13,275—100.0%	22,936—100.0%
Prescription charge	$8.47	$7.43
Number of hours per week		
Pharmacy was open	58 hours	56 hours
Worked by proprietor	50 hours	47 hours
Worked by employed pharmacist(s)	16 hours	17 hours

*Based on averages of pharmacies that reported all data

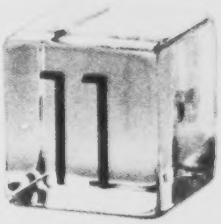
Total Sales

$250,000-$300,000

Find and Compare

Table

Sales $200,000-$300,000



Under 50 Prescriptions Daily (63 Pharmacies)	50 to 75 Prescriptions Daily (114 Pharmacies)	Over 75 Prescriptions Daily (40 Pharmacies)
$114,960— 42.2%	$176,351— 64.7%	$223,746— 80.6%
157,461— 57.8%	96,202— 35.3%	53,913— 19.4%
$272,421—100.0%	$272,553—100.0%	$277,659—100.0%
178,425— 65.5%	173,351— 63.6%	176,136— 63.4%
$ 93,996— 34.5%	$ 99,202— 36.4%	$101,523— 36.6%
$ 23,046— 8.5%	$ 23,446— 8.6%	$ 26,066— 9.4%
26,890— 9.9%	27,153— 10.0%	25,902— 9.3%
7,082— 2.6%	6,034— 2.2%	7,099— 2.6%
2,953— 1.1%	2,562— 0.9%	2,162— 0.8%
1,482— 0.5%	1,543— 0.6%	1,711— 0.6%
3,741— 1.4%	3,989— 1.5%	3,730— 1.4%
2,956— 1.1%	3,022— 1.1%	2,299— 0.8%
3,017— 1.1%	2,215— 0.8%	1,970— 0.7%
1,202— 0.5%	897— 0.3%	1,098— 0.4%
1,645— 0.6%	1,372— 0.5%	2,086— 0.8%
3,307— 1.2%	2,565— 0.9%	2,614— 0.9%
3,293— 1.2%	2,468— 0.9%	1,782— 0.6%
341— 0.1%	359— 0.1%	544— 0.2%
1,108— 0.4%	1,213— 0.5%	1,358— 0.5%
6,552— 2.4%	7,538— 2.8%	5,326— 1.9%
11.6%	10.9%	9.6%
$ 88,615— 32.6%	$ 86,376— 31.7%	$ 85,747— 30.9%
$ 5,381— 1.9%	$ 12,826— 4.7%	$ 15,776— 5.7%
23,046— 8.5%	23,446— 8.6%	26,066— 9.4%
$ 28,427— 10.4%	$ 36,272— 13.3%	$ 41,842— 15.1%
$ 16,956— 14.7%	$ 21,721— 12.3%	$ 24,469— 10.9%
38,333— 24.3%	24,835— 25.8%	11,330— 21.0%
$ 55,289— 20.3%	$ 46,556— 17.1%	$ 35,799— 12.9%
3.3 times	3.8 times	5.1 times
sq. ft.	sq. ft.	sq. ft.
281 $413.39	337 $526.43	368 $607.34
2,068 75.76	1,564 61.06	909 60.61
2,349 116.11	1,901 143.57	1,277 218.06
$6.78	$8.12	$9.14
4.11	3.87	4.76
$0.100	$0.280	$0.440
6,387— 46.6%	10,430— 47.2%	16,537— 51.0%
7,327— 53.4%	11,655— 52.8%	15,866— 49.0%
13,714—100.0%	22,085—100.0%	32,403—100.0%
$8.38	$7.99	$6.91
60 hours	60 hours	57 hours
52 hours	49 hours	45 hours
17 hours	23 hours	26 hours

Averages per Pharmacy	Total Sales $300,000-$350,000 Under 50 Prescriptions Daily (49 Pharmacies)	50 to 75 Prescriptions Daily (92 Pharmacies)	Over 75 Prescriptions Daily (83 Pharmacies)
Sales			
Prescription	$111,947— 34.3%	$179,358— 55.5%	$246,299— 75.9%
Other	214,644— 65.7%	144,002— 44.5%	78,311— 24.1%
Total	$326,591—100.0%	$323,360—100.0%	$324,610—100.0%
Cost of goods sold	216,227— 66.2%	209,691— 64.8%	207,918— 64.1%
Gross margin	$110,364— 33.8%	$113,669— 35.2%	$116,692— 35.9%
Expenses			
Proprietor's or manager's salary	$ 23,132— 7.1%	$ 24,682— 7.6%	$ 25,865— 8.0%
Employees' wages	34,713— 10.6%	34,075— 10.5%	35,162— 10.8%
Rent	9,483— 2.9%	7,151— 2.2%	7,485— 2.3%
Heat, light, and power	4,317— 1.3%	3,047— 0.9%	2,418— 0.7%
Accounting, legal, and other professional fees	1,851— 0.6%	1,578— 0.5%	2,021— 0.6%
Taxes (except on buildings, income, and profit) and licenses	5,156— 1.6%	4,706— 1.5%	4,526— 1.4%
Insurance (except on buildings)	4,479— 1.4%	3,540— 1.1%	3,491— 1.0%
Interest paid	3,340— 1.0%	2,546— 0.8%	2,192— 0.7%
Repairs	1,506— 0.5%	1,242— 0.4%	1,007— 0.3%
Delivery	1,863— 0.6%	1,774— 0.6%	2,049— 0.6%
Advertising	3,883— 1.2%	3,307— 1.0%	2,661— 0.8%
Depreciation (except on buildings)	3,272— 1.0%	2,926— 0.9%	3,122— 1.0%
Bad debts charged off	521— 0.1%	388— 0.1%	708— 0.2%
Telephone	1,374— 0.4%	1,145— 0.4%	1,317— 0.4%
Miscellaneous	6,796— 2.1%	7,980— 2.5%	9,958— 3.1%
	11.8%	10.7%	10.8%
Total expenses	$105,686— 32.4%	$100,087— 31.0%	$103,682— 31.9%
Net profit (before taxes)	$ 4,678— 1.4%	$ 13,582— 4.2%	$ 13,010— 4.0%
Add proprietor's withdrawals	23,132— 7.1%	24,682— 7.6%	25,865— 8.0%
Total income of self-employed proprietor (before taxes on income and profits)	$ 27,810— 8.5%	$ 38,264— 11.8%	$ 38,875— 12.0%
Value of inventory at cost and as a percent of sales			
Prescription	$ 17,062— 15.2%	$ 22,146— 12.3%	$ 27,607— 11.2%
Other	50,262— 23.4%	31,648— 22.0%	19,894— 25.4%
Total	$ 67,324— 20.6%	$ 53,794— 16.6%	$ 47,501— 14.6%
Annual rate of turnover of inventory	3.3 times	4.0 times	4.5 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.
Prescription	394 $287.83	335 $533.73	393 $626.27
Other	2,406 88.87	1,761 82.26	1,261 62.19
Total	2,800 116.84	2,096 154.44	1,654 196.20
Sales per dollar invested in inventory			
Prescription	$6.56	$8.10	$8.92
Other	4.27	4.55	3.94
Net profit per dollar invested in inventory	$0.070	$0.250	$0.270
Number of prescriptions dispensed			
New	6,608— 48.2%	10,652— 47.8%	15,873— 48.6%
Renewed	7,091— 51.8%	11,651— 52.2%	16,767— 51.4%
Total	13,699—100.0%	22,303—100.0%	32,640—100.0%
Prescription charge	$8.17	$8.04	$7.55
Number of hours per week			
Pharmacy was open	62 hours	63 hours	59 hours
Worked by proprietor	50 hours	49 hours	48 hours
Worked by employed pharmacist(s)	29 hours	28 hours	30 hours

*Based on averages of pharmacies that reported all data

Total Sales

$350,000-$400,000

Find and Compare

Table 12

Sales $300,000-$400,000

Under 50 Prescriptions Daily (25 Pharmacies)	50 to 75 Prescriptions Daily (69 Pharmacies)	75 to 100 Prescriptions Daily (64 Pharmacies)	Over 100 Prescriptions Daily (26 Pharmacies)
$130,751— 35.0%	$189,025— 50.4%	$244,118— 65.0%	$306,096— 82.1%
242,788— 65.0%	186,311— 49.6%	131,469— 35.0%	66,799— 17.9%
$373,539—100.0%	$375,336—100.0%	$375,587—100.0%	$372,895—100.0%
247,619— 66.3%	246,228— 65.6%	240,121— 63.9%	241,968— 64.9%
$125,920— 33.7%	$129,108— 34.4%	$135,466— 36.1%	$130,927— 35.1%
$ 20,779— 5.6%	$ 24,680— 6.6%	$ 25,579— 6.8%	$ 28,852— 7.7%
45,222— 12.1%	44,837— 11.9%	45,231— 12.0%	40,018— 10.7%
10,666— 2.9%	8,666— 2.3%	7,531— 2.0%	8,384— 2.2%
3,590— 1.0%	3,849— 1.0%	3,190— 0.9%	2,308— 0.6%
2,253— 0.6%	2,195— 0.6%	1,559— 0.4%	1,552— 0.4%
6,941— 1.8%	5,675— 1.5%	5,737— 1.5%	5,226— 1.4%
3,409— 0.9%	4,140— 1.1%	4,077— 1.1%	3,544— 1.0%
2,654— 0.7%	4,064— 1.1%	2,726— 0.7%	1,338— 0.4%
1,728— 0.5%	1,282— 0.3%	1,005— 0.3%	850— 0.2%
1,350— 0.4%	1,723— 0.5%	1,823— 0.5%	2,455— 0.7%
5,617— 1.5%	4,447— 1.2%	4,275— 1.1%	3,145— 0.8%
3,510— 0.9%	3,293— 0.9%	3,019— 0.8%	2,307— 0.6%
252— 0.1%	601— 0.2%	552— 0.2%	631— 0.2%
1,202— 0.3%	1,559— 0.4%	1,359— 0.4%	1,488— 0.4%
10,183— 2.7%	9,524— 2.5%	10,449— 2.8%	11,902— 3.2%
11.4%	11.3%	10.7%	9.9%
$119,356— 32.0%	$120,535— 32.1%	$118,112— 31.5%	$114,000— 30.5%
$ 6,564— 1.7%	$ 8,573— 2.3%	$ 17,354— 4.6%	$ 16,927— 4.6%
20,779— 5.6%	24,680— 6.6%	25,579— 6.8%	28,852— 7.7%
$ 27,343— 7.3%	$ 33,253— 8.9%	$ 42,933— 11.4%	$ 45,779— 12.3%
$ 18,584— 14.2%	$ 23,305— 12.3%	$ 27,463— 11.2%	$ 29,736— 9.7%
62,083— 25.6%	47,349— 25.4%	32,639— 24.8%	13,475— 20.2%
$ 80,667— 21.6%	$ 70,654— 18.8%	$ 60,102— 16.0%	$ 43,211— 11.6%
3.2 times	3.6 times	4.1 times	5.8 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.
351 $368.92	359 $527.50	442 $551.62	439 $697.29
2,810 86.82	2,334 79.84	2,109 62.75	1,126 59.26
3,161 118.16	2,693 139.47	2,551 147.42	1,565 238.17
$7.04	$8.11	$8.89	$10.29
3.91	3.93	4.03	4.96
$0.080	$0.120	$0.290	$0.390
6,658— 48.1%	10,732— 46.9%	14,927— 48.4%	21,865— 52.1%
7,179— 51.9%	12,150— 53.1%	15,900— 51.6%	20,094— 47.9%
13,837—100.0%	22,882—100.0%	30,827—100.0%	41,959—100.0%
$9.45	$8.26	$7.92	$7.30
65 hours	68 hours	60 hours	61 hours
51 hours	51 hours	49 hours	46 hours
32 hours	35 hours	36 hours	35 hours

Averages per Pharmacy	Total Sales $400,000-$450,000 Under 75 Prescriptions Daily (65 Pharmacies)	75 to 100 Prescriptions Daily (42 Pharmacies)	Over 100 Prescriptions Daily (36 Pharmacies)
Sales			
Prescription	$167,901— 40.0%	$250,999— 59.3%	$333,437— 78.2%
Other	251,583— 60.0%	172,369— 40.7%	93,000— 21.8%
Total	$419,484—100.0%	$423,368—100.0%	$426,437—100.0%
Cost of goods sold	275,867— 65.8%	277,150— 65.5%	268,817— 63.0%
Gross margin	$143,617— 34.2%	$146,218— 34.5%	$157,620— 37.0%
Expenses			
Proprietor's or manager's salary	$ 27,557— 6.6%	$ 28,182— 6.7%	$ 30,819— 7.2%
Employees' wages	48,969— 11.7%	51,887— 12.3%	53,899— 12.6%
Rent	10,548— 2.5%	9,659— 2.3%	7,289— 1.7%
Heat, light, and power	3,923— 0.9%	3,900— 0.9%	2,935— 0.7%
Accounting, legal, and other professional fees	1,876— 0.5%	1,955— 0.5%	1,436— 0.4%
Taxes (except on buildings, income, and profit) and licenses	6,333— 1.5%	6,856— 1.6%	7,236— 1.7%
Insurance (except on buildings)	4,772— 1.1%	5,553— 1.3%	4,249— 1.0%
Interest paid	2,712— 0.7%	2,544— 0.6%	1,863— 0.4%
Repairs	1,488— 0.4%	1,510— 0.3%	1,328— 0.3%
Delivery	1,793— 0.4%	1,936— 0.5%	2,396— 0.6%
Advertising	4,982— 1.2%	4,587— 1.1%	3,928— 0.9%
Depreciation (except on buildings)	4,358— 1.0%	4,703— 1.1%	3,404— 0.8%
Bad debts charged off	403— 0.1%	448— 0.1%	633— 0.2%
Telephone	1,342— 0.3%	1,464— 0.3%	1,511— 0.4%
Miscellaneous	9,748— 2.3%	10,159— 2.4%	12,542— 2.9%
	10.4%	10.7%	10.3%
Total expenses	$130,804— 31.2%	$135,343— 32.0%	$135,468— 31.8%
Net profit (before taxes)	$ 12,813— 3.0%	$ 10,875— 2.5%	$ 22,152— 5.2%
Add proprietor's withdrawals	27,557— 6.6%	28,182— 6.7%	30,819— 7.2%
Total income of self-employed proprietor (before taxes on income and profits)	$ 40,370— 9.6%	$ 39,057— 9.2%	$ 52,971— 12.4%
Value of inventory at cost and as a percent of sales			
Prescription	$ 21,216— 12.6%	$ 27,232— 10.8%	$ 33,301— 10.0%
Other	51,203— 20.4%	41,321— 24.0%	26,021— 28.0%
Total	$ 72,419— 17.3%	$ 68,553— 16.2%	$ 59,322— 13.9%
Annual rate of turnover of inventory	3.9 times	4.2 times	4.7 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.
Prescription	341 $494.09	442 $573.26	440 $763.61
Other	2,543 98.81	2,354 72.40	1,610 56.82
Total	2,884 145.54	2,796 151.65	2,050 208.47
Sales per dollar invested in inventory			
Prescription	$7.91	$9.22	$10.01
Other	4.91	4.17	3.57
Net profit per dollar invested in inventory	$0.180	$0.160	$0.370
Number of prescriptions dispensed			
New	10,146— 49.5%	15,963— 50.5%	22,544— 51.4%
Renewed	10,360— 50.5%	15,670— 49.5%	21,322— 48.6%
Total	20,506—100.0%	31,633—100.0%	43,866—100.0%
Prescription charge	$8.19	$7.93	$7.60
Number of hours per week			
Pharmacy was open	67 hours	66 hours	62 hours
Worked by proprietor	50 hours	47 hours	50 hours
Worked by employed pharmacist(s)	40 hours	46 hours	43 hours

*Based on averages of pharmacies that reported all data

Find and Compare

Table 13

Sales $400,000-$500,000

Total Sales			
$450,000-$500,000			
	Under 75 Prescriptions Daily (36 Pharmacies)	75 to 100 Prescriptions Daily (30 Pharmacies)	Over 100 Prescriptions Daily (37 Pharmacies)
	$167,323— 35.2%	$238,366— 50.0%	$340,365— 72.5%
	308,403— 64.8%	238,540— 50.0%	129,010— 27.5%
	$475,726—100.0%	$476,906—100.0%	$469,375—100.0%
	316,736— 66.6%	316,019— 66.3%	292,001— 62.2%
	$158,990— 33.4%	$160,887— 33.7%	$177,374— 37.8%
	$ 26,115— 5.5%	$ 27,721— 5.8%	$ 29,813— 6.4%
	54,480— 11.5%	57,335— 12.0%	59,588— 12.7%
	11,769— 2.5%	11,682— 2.4%	12,264— 2.6%
	5,040— 1.0%	3,879— 0.8%	3,460— 0.7%
	2,192— 0.4%	2,886— 0.6%	2,628— 0.6%
	7,642— 1.6%	7,889— 1.7%	7,310— 1.5%
	5,400— 1.1%	5,247— 1.1%	5,073— 1.1%
	4,601— 1.0%	2,361— 0.5%	2,631— 0.6%
	1,845— 0.4%	1,793— 0.4%	1,341— 0.3%
	2,265— 0.5%	2,488— 0.5%	2,883— 0.6%
	4,894— 1.0%	4,843— 1.0%	4,356— 0.9%
	4,210— 0.9%	3,543— 0.7%	4,541— 1.0%
	394— 0.1%	473— 0.1%	1,253— 0.3%
	1,491— 0.3%	1,704— 0.4%	1,653— 0.3%
	12,236— 2.6%	12,294— 2.6%	14,188— 3.0%
10.9%	10.4%	10.9%	
	$144,574— 30.4%	$146,138— 30.6%	$152,98[illegible]— 32.6%
	$ 14,416— 3.0%	$ 14,749— 3.1%	$ 24,392— 5.2%
	26,115— 5.5%	27,721— 5.8%	29,813— 6.4%
	$ 40,531— 8.5%	$ 42,470— 8.9%	$ 54,205— 11.6%
	$ 21,281— 12.7%	$ 26,444— 11.1%	$ 33,753— 9.9%
	52,214— 20.2%	52,501— 22.0%	28,349— 22.0%
	$ 83,495— 17.6%	$ 78,945— 16.6%	$ 62,102— 13.2%
	4.0 times	4.1 times	4.8 times
	sq. ft.	sq. ft.	sq. ft.
	403 $414.91	370 $644.23	408 $836.37
	2,870 107.46	2,533 94.16	1,817 70.11
	3,273 145.34	2,903 164.26	2,225 210.75
	$7.86	$9.01	$10.08
	4.96	4.54	4.55
	$0.170	$0.190	$0.390
	10,485— 51.5%	15,499— 49.6%	21,020— 47.4%
	9,886— 48.5%	15,780— 50.4%	23,325— 52.6%
	20,371—100.0%	31,279—100.0%	44,345—100.0%
	$8.21	$7.62	$7.68
	69 hours	66 hours	62 hours
	42 hours	51 hours	49 hours
	50 hours	48 hours	47 hours

Averages per Pharmacy	Under 75 Prescriptions Daily (53 Pharmacies)	75 to 100 Prescriptions Daily (55 Pharmacies)	100 to 125 Prescriptions Daily (36 Pharmacies)	Over 125 Prescriptions Daily (42 Pharmacies)
Total Sales	$500,000-$600,000			
Sales				
Prescription	$164,485— 30.0%	$255,051— 46.4%	$307,744— 55.9%	$401,246— 73.3%
Other	384,335— 70.0%	295,001— 53.6%	243,048— 44.1%	146,431— 26.7%
Total	$548,820—100.0%	$550,052—100.0%	$550,792—100.0%	$547,677—100.0%
Cost of goods sold	366,957— 66.9%	363,677— 66.1%	357,086— 64.8%	349,818— 63.9%
Gross margin	$181,863— 33.1%	$186,375— 33.9%	$193,706— 35.2%	$197,859— 36.1%
Expenses				
Proprietor's or manager's salary	$ 28,935— 5.3%	$ 29,406— 5.3%	$ 30,163— 5.5%	$ 30,356— 5.5%
Employees' wages	64,907— 11.8%	69,028— 12.5%	74,630— 13.5%	73,862— 13.5%
Rent	13,573— 2.5%	11,970— 2.2%	11,208— 2.0%	13,103— 2.4%
Heat, light, and power	5,574— 1.0%	5,722— 1.0%	4,490— 0.8%	2,995— 0.5%
Accounting, legal, and other professional fees	2,053— 0.4%	2,649— 0.5%	2,413— 0.4%	3,034— 0.5%
Taxes (except on buildings, income, and profit) and licenses	8,239— 1.5%	8,364— 1.5%	9,803— 1.8%	9,098— 1.7%
Insurance (except on buildings)	6,541— 1.2%	5,789— 1.1%	7,126— 1.3%	5,890— 1.1%
Interest paid	4,003— 0.7%	3,327— 0.6%	2,360— 0.4%	2,908— 0.5%
Repairs	2,182— 0.4%	1,894— 0.4%	2,189— 0.4%	1,037— 0.2%
Delivery	2,056— 0.4%	2,382— 0.4%	2,520— 0.5%	3,407— 0.6%
Advertising	5,890— 1.1%	6,196— 1.1%	4,750— 0.9%	6,439— 1.2%
Depreciation (except on buildings)	4,914— 0.9%	4,893— 0.9%	3,862— 0.7%	4,542— 0.8%
Bad debts charged off	746— 0.1%	479— 0.1%	939— 0.2%	1,486— 0.3%
Telephone	1,456— 0.3%	1,581— 0.3%	2,295— 0.4%	1,551— 0.3%
Miscellaneous	13,501— 2.4%	12,934— 2.4%	17,269— 3.2%	15,971— 2.9%
	10.4%	10.3%	11.0%	10.6%
Total expenses	$164,570— 30.0%	$166,614— 30.3%	$176,017— 32.0%	$175,679— 32.0%
Net profit (before taxes)	$ 17,293— 3.1%	$ 19,761— 3.6%	$ 17,689— 3.2%	$ 22,180— 4.1%
Add proprietor's withdrawals	28,935— 5.3%	29,406— 5.3%	30,163— 5.5%	30,356— 5.5%
Total income of self-employed proprietor (before taxes on income and profits)	$ 46,228— 8.4%	$ 49,167— 8.9%	$ 47,852— 8.7%	$ 52,536— 9.6%
Value of inventory at cost and as a percent of sales				
Prescription	$ 21,579— 13.1%	$ 28,521— 11.2%	$ 30,968— 10.1%	$ 38,476— 9.6%
Other	69,823— 18.2%	59,296— 20.1%	48,079— 19.8%	32,252— 22.0%
Total	$ 91,402— 16.7%	$ 87,817— 16.0%	$ 79,047— 14.4%	$ 70,728— 12.9%
Annual rate of turnover of inventory	4.1 times	4.3 times	4.6 times	5.1 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	355 $461.79	389 $654.34	370 $826.31	449 $899.76
Other	3,267 117.86	3,046 96.91	2,635 93.11	1,581 91.99
Total	3,622 151.57	3,435 160.04	3,005 183.47	2,030 270.51
Sales per dollar invested in inventory				
Prescription	$7.62	$8.94	$9.94	$10.43
Other	5.50	4.93	5.06	4.54
Net profit per dollar invested in inventory	$0.190	$0.230	$0.220	$0.310
Number of prescriptions dispensed				
New	9,820— 51.5%	15,425— 49.3%	18,666— 46.6%	25,347— 47.2%
Renewed	9,261— 48.5%	15,868— 50.7%	21,399— 53.4%	28,334— 52.8%
Total	19,081—100.0%	31,293—100.0%	40,065—100.0%	53,681—100.0%
Prescription charge	$8.62	$8.15	$7.68	$7.47
Number of hours per week				
Pharmacy was open	72 hours	71 hours	72 hours	64 hours
Worked by proprietor	52 hours	50 hours	48 hours	48 hours
Worked by employed pharmacist(s)	55 hours	55 hours	65 hours	66 hours

*Based on averages of pharmacies that reported all data

Total Sales

$600,000-$750-000

Find and Compare

Table

Sales $500,000-$750,000

Under 75 Prescriptions Daily (32 Pharmacies)	75 to 100 Prescriptions Daily (35 Pharmacies)	100 to 125 Prescriptions Daily (37 Pharmacies)	Over 125 Prescriptions Daily (53 Pharmacies)
$173,904— 26.9%	$259,733— 39.3%	$311,792— 46.7%	$457,905— 67.2%
472,580— 73.1%	400,420— 60.7%	356,498— 53.3%	223,064— 32.8%
$646,484—100.0%	$660,153—100.0%	$668,290—100.0%	$680,969—100.0%
424,257— 65.6%	438,099— 66.4%	445,149— 66.6%	446,431— 65.6%
$222,227— 34.4%	$222,054— 33.6%	$223,141— 33.4%	$234,538— 34.4%
$ 29,049— 4.5%	$ 32,245— 4.9%	$ 30,034— 4.5%	$ 33,053— 4.9%
81,992— 12.7%	92,343— 14.0%	92,017— 13.8%	92,463— 13.6%
18,958— 2.9%	15,239— 2.3%	15,606— 2.3%	14,672— 2.2%
6,319— 1.0%	6,619— 1.0%	5,724— 0.9%	3,844— 0.6%
2,402— 0.4%	2,902— 0.4%	2,960— 0.4%	3,991— 0.6%
8,953— 1.4%	10,025— 1.5%	10,349— 1.6%	10,930— 1.6%
6,275— 1.0%	6,765— 1.0%	8,189— 1.2%	7,796— 1.0%
5,891— 0.9%	3,839— 0.6%	2,938— 0.4%	2,976— 0.4%
2,417— 0.4%	2,517— 0.4%	1,708— 0.3%	2,831— 0.4%
1,996— 0.3%	3,097— 0.5%	2,977— 0.4%	2,941— 0.4%
9,312— 1.4%	6,031— 0.9%	8,220— 1.2%	6,088— 0.9%
5,734— 0.9%	5,399— 0.8%	4,459— 0.7%	6,642— 1.0%
851— 0.1%	972— 0.2%	522— 0.1%	839— 0.1%
1,638— 0.3%	1,990— 0.3%	2,071— 0.3%	2,054— 0.3%
21,497— 3.3%	19,784— 3.0%	18,274— 2.7%	18,172— 2.7%
11.4%	10.6%	10.2%	10.0%
$203,284— 31.5%	$209,767— 31.8%	$206,048— 30.8%	$209,292— 30.7%
$ 18,943— 2.9%	$ 12,287— 1.8%	$ 17,093— 2.6%	$ 25,246— 3.7%
29,049— 4.5%	32,245— 4.9%	30,034— 4.5%	33,053— 4.9%
$ 47,992— 7.4%	$ 44,532— 6.7%	$ 47,127— 7.1%	$ 58,299— 8.6%
$ 23,851— 13.7%	$ 27,280— 10.5%	$ 34,974— 11.2%	$ 43,176— 9.4%
100,441— 21.3%	77,093— 19.3%	67,046— 18.8%	44,190— 19.8%
$124,292— 19.2%	$104,373— 15.8%	$102,020— 15.3%	$ 87,366— 12.8%
3.6 times	4.4 times	4.5 times	5.3 times
sq. ft. sq. ft.	sq. ft. sq. ft.	sq. ft. sq. ft.	sq. ft. sq. ft.
403 $431.26	443 $589.10	562 $560.30	465 $978.79
4,070 116.12	3,508 113.05	3,096 114.28	2,159 103.14
4,473 144.54	3,951 166.44	3,658 182.74	2,624 258.38
$7.29	$9.52	$8.91	$10.61
4.71	5.19	5.32	5.05
$0.150	$0.120	$0.170	$0.290
9,722— 49.6%	16,981— 52.9%	19,503— 49.7%	29,200— 48.4%
9,876— 50.4%	15,136— 47.1%	19,725— 50.3%	31,151— 51.6%
19,598—100.0%	32,117—100.0%	39,228—100.0%	60,351—100.0%
$8.87	$8.09	$7.95	$7.59
74 hours	73 hours	76 hours	69 hours
54 hours	44 hours	45 hours	48 hours
59 hours	69 hours	74 hours	77 hours

Averages per Pharmacy	Total Sales $750,000-$1,000,000 Under 100 Prescriptions Daily (58 Pharmacies)	
Sales		
Prescription	$240,416–	28.0%
Other	617,953–	72.0%
Total	$858,369–	100.0%
Cost of goods sold	579,887–	67.6%
Gross margin	$278,482–	32.4%
Expenses		
Proprietor's or manager's salary	$ 36,899–	4.3%
Employees' wages	111,316–	13.0%
Rent	22,711–	2.6%
Heat, light, and power	8,113–	0.9%
Accounting, legal, and other professional fees	3,562–	0.4%
Taxes (except on buildings, income, and profit) and licenses	13,626–	1.6%
Insurance (except on buildings)	8,911–	1.0%
Interest paid	5,688–	0.7%
Repairs	3,312–	0.4%
Delivery	2,794–	0.3%
Advertising	9,888–	1.1%
Depreciation (except on buildings)	5,847–	0.7%
Bad debts charged off	558–	0.1%
Telephone	2,337–	0.3%
Miscellaneous	22,697–	2.6%
		10.1%
Total expenses	$258,259–	30.0%
Net profit (before taxes)	$ 20,223–	2.4%
Add proprietor's withdrawals	36,899–	4.3%
Total income of self-employed proprietor (before taxes on income and profits)	$ 57,122–	6.7%
Value of inventory at cost and as a percent of sales		
Prescription	$ 27,786–	11.6%
Other	110,097–	17.8%
Total	$137,883–	16.1%
Annual rate of turnover of inventory		4.3 times
Size of area and sales per square foot*	sq. ft.	
Prescription	416	$581.81
Other	4,813	126.92
Total	5,229	163.07
Sales per dollar invested in inventory		
Prescription		$8.65
Other		5.61
Net profit per dollar invested in inventory		$0.150
Number of prescriptions dispensed		
New	14,263–	51.5%
Renewed	13,432–	48.5%
Total	27,695–	100.0%
Prescription charge		$8.68
Number of hours per week		
Pharmacy was open		75 hours
Worked by proprietor		48 hours
Worked by employed pharmacist(s)		70 hours

*Based on averages of pharmacies that reported all data

Find and Compare

Table 15

Sales over $750,000

100 to 150 Prescriptions Daily (35 Pharmacies)	Over 150 Prescriptions Daily (33 Pharmacies)	Total Sales over $1,000,000 (89 Pharmacies)
$338,246— 39.4%	$551,878— 63.6%	$483,351— 35.1%
519,555— 60.6%	316,067— 36.4%	894,205— 64.9%
$857,801—100.0%	$867,945—100.0%	$1,377,556—100.0%
583,878— 68.1%	574,677— 66.2%	946,308— 68.7%
$273,923— 31.9%	$293,268— 33.8%	$ 431,248— 31.3%
$ 34,196— 4.0%	$ 34,156— 3.9%	$ 43,627— 3.2%
106,619— 12.4%	122,259— 14.1%	185,750— 13.5%
20,101— 2.3%	20,613— 2.4%	29,711— 2.2%
7,211— 0.8%	6,508— 0.8%	10,722— 0.8%
3,424— 0.4%	2,850— 0.3%	4,713— 0.3%
12,080— 1.4%	13,615— 1.6%	20,066— 1.4%
10,695— 1.2%	8,580— 1.0%	13,694— 1.0%
5,057— 0.6%	4,562— 0.5%	6,837— 0.5%
2,650— 0.3%	2,838— 0.3%	5,656— 0.4%
2,969— 0.4%	4,683— 0.5%	4,191— 0.3%
10,842— 1.3%	7,693— 0.9%	17,955— 1.3%
6,274— 0.7%	7,130— 0.8%	10,379— 0.8%
654— 0.1%	675— 0.1%	1,878— 0.1%
2,386— 0.3%	2,682— 0.3%	3,507— 0.2%
24,807— 2.9%	22,673— 2.6%	28,492— 2.1%
10.4%	9.7%	9.2%
$249,965— 29.1%	$261,517— 30.1%	$ 387,178— 28.1%
$ 23,958— 2.8%	$ 31,751— 3.7%	$ 44,070— 3.2%
34,196— 4.0%	34,156— 3.9%	43,627— 3.2%
$ 58,154— 6.8%	$ 65,907— 7.6%	$ 87,697— 6.4%
$ 34,140— 10.1%	$ 51,520— 9.3%	$ 45,304— 9.4%
94,553— 18.2%	70,419— 22.3%	152,045— 17.0%
$128,693— 15.0%	$121,939— 14.0%	$ 197,349— 14.3%
4.7 times	4.9 times	4.9 times
sq. ft.	sq. ft.	sq. ft.
423 $794.31	673 $821.84	617 $768.44
3,818 135.49	3,134 103.75	5,353 162.67
4,241 201.26	3,807 230.69	5,970 225.32
$9.91	$10.71	$10.67
5.49	4.49	5.88
$0.190	$0.260	$0.220
22,706— 53.1%	36,930— 51.1%	32,346— 52.0%
20,069— 46.9%	35,298— 48.9%	29,845— 48.0%
42,775—100.0%	72,228—100.0%	62,191—100.0%
$7.91	$7.64	$7.77
75 hours	73 hours	82 hours
50 hours	49 hours	49 hours
71 hours	87 hours	108 hours

Net Profit

In order for community pharmacy managers to continue providing their patrons with pharmaceutical services, their pharmacies must generate a profit. Profits are needed for working capital requirements, capital improvements, returns to investors, and retained earnings. If pharmacies continually show losses, the necessary capital to sustain normal operations must be borrowed, and extra interest expenses are incurred that reduce net profit. Borrowing will be difficult if too many losses are recorded, and, finally, lenders will refuse loans for such businesses. Without additional capital, either from lenders or from owners' investments, such pharmacies will eventually fail.

Table 16 shows that 14 percent of all stores reporting to the LILLY DIGEST in 1980 operated at a loss—down from 16 percent recorded the previous year. However, 22 percent of those submitting data—up from 21 percent during 1979—realized a net profit of less than 2 percent. At the other end of the profit range, 8 percent (in contrast to 7 percent in 1979) showed a net profit between 7.5 and 9.9 percent of sales, and 13 percent had net profit before taxes amounting to 10 percent or more of sales—up from 12 percent recorded in 1979.

Table 16 *Net profit according to sales size*

	Under $100,000	$100,000-$150,000	$150,000-$200,000	$200,000-$250,000	$250,000-$300,000	$300,000-$350,000	$350,000-$400,000	$400,000-$450,000	$450,000-$500,000	$500,000-$600,000	$600,000-$750,000	$750,000-$1,000,000	Over $1,000,000	This Year	Last Year
Number of Pharmacies	54	122	221	244	217	224	184	143	103	186	157	126	89	2,070	1,458
Net Profit as a Percent of Sales															
Operating at a loss	46%	27%	18%	13%	14%	15%	14%	18%	6%	8%	9%	7%	6%	14%	16%
Less than 2%	14%	23%	22%	19%	14%	18%	25%	16%	30%	23%	28%	25%	34%	22%	21%
2% to 5%	7%	22%	21%	29%	24%	29%	25%	32%	29%	32%	34%	43%	40%	28%	29%
5% to 7.5%	11%	9%	16%	17%	20%	17%	15%	14%	15%	19%	19%	10%	6%	15%	15%
7.5% to 10%	3%	8%	9%	7%	14%	10%	8%	6%	7%	8%	4%	7%	8%	8%	7%
10% and over	19%	11%	14%	15%	14%	11%	13%	14%	13%	10%	6%	8%	6%	13%	12%

Table 17 *Turnover comparison (percent of sales)*

	Fast Turnover (325 Pharmacies)	Slow Turnover (377 Pharmacies)
Total sales	100.0%	100.0%
Cost of goods sold	66.5%	64.0%
Gross margin	33.5%	36.0%
Employees' wages	10.8%	12.4%
Rent and miscellaneous expenses	12.4%	15.0%
Total expenses (less proprietor's salary)	23.2%	27.4%
Total income (proprietor's salary plus net profit)	10.3%	8.6%
Total inventory	8.4%	23.9%
Inventory turnover	7.9 times	2.7 times

Turnover—The data in Table 17 represent some important operating statistics from a group of pharmacies with a high rate of inventory turnover compared with those from a group with a low rate. This information reinforces what many pharmacist-managers have come to realize—by controlling their inventory and maintaining a high turnover rate, their total income can be improved. The 325 pharmacies with an inventory rate averaging 7.9 times reported a higher cost of goods sold and a lower gross margin than did the low-turnover group. However, because of lower total expenses, these units also recorded a higher total income figure. One explanation for the more favorable expense figure may be the resulting economies in inventory carrying and holding costs.

Regional Variations

Tables 18 and 19 show the variations in operating statistics of independent community pharmacies located in different geographic areas. It has been suggested that sales and expenses are influenced by regional factors, such as the ratio of pharmacies to population, the cost of living, pharmacy manpower, population density, and, possibly, state health programs.

Following the trend of recent years, the Pacific States reported the highest average prescription charge and the largest total expense percentage. They also posted the highest gross margin, both dollarwise and as a percent of total sales.

Again during 1980, the New England States recorded the lowest net profit percentage (Table 18). The highest net profit and lowest average prescription charge were reported by the East South Central States. This region again had the largest average prescription volume and the highest ratio of prescription revenue to total sales.

Rental expenditures ranged from a low of 2.2 percent of sales in the New England, South Atlantic, and East South Central States to a high of 3.2 percent in the Pacific States. All other regions appeared to post relatively consistent rental figures of about 2.4 percent of sales.

The largest dollar change in average net profit from 1979 to 1980 occurred in the Mountain States, up over 45 percent from the previous year. By contrast, the New England States showed the greatest loss of net profit dollars—down over 6 percent from 1979. Overall, the "sun-belt" regions seem to have outperformed the "snow-belt" areas in terms of net profit and may well reflect population shifts to the South that have been apparent in recent years.

Table 18 *Geographic summary of average prescription charge and net profit*

Geographic Region	Average Prescription Charge	Average Net Profit
New England States	$7.41	1.5%
Middle Atlantic States	7.34	2.2%
East North Central States	7.84	2.7%
West North Central States	7.92	3.7%
South Atlantic States	7.51	3.9%
East South Central States	7.18	4.9%
West South Central States	8.28	4.5%
Mountain States	8.23	4.7%
Pacific States	9.04	3.5%
LILLY DIGEST Average	7.85	3.3%

Table 19 is designed for comparison between regions. It is recommended that an individual pharmacy first compare its operating data with statistics taken from the "Heart of the LILLY DIGEST." The regional data may then be used to explain variations from the usual averages for a more meaningful evaluation.

Table 19 *Summary by geographic regions in 1980*

Averages per Pharmacy	New England States (118 Pharmacies)	Middle Atlantic States (218 Pharmacies)	East North Central States (444 Pharmacies)	West North Central States (305 Pharmacies)
Sales				
Prescription	$200,077— 43.1%	$220,277— 49.8%	$229,682— 48.3%	$196,140— 51.4%
Other	264,202— 56.9%	222,241— 50.2%	245,682— 51.7%	185,316— 48.6%
Total	$464,279—100.0%	$442,518—100.0%	$475,364—100.0%	$381,456—100.0%
Cost of goods sold	315,132— 67.9%	297,485— 67.2%	319,272— 67.2%	250,442— 65.7%
Gross margin	$149,147— 32.1%	$145,033— 32.8%	$156,092— 32.8%	$131,014— 34.3%
Expenses				
Proprietor's or manager's salary	$ 27,279— 5.9%	$ 27,489— 6.2%	$ 26,351— 5.5%	$ 25,509— 6.7%
Employees' wages	57,444— 12.4%	52,642— 11.9%	56,417— 11.9%	41,657— 10.9%
Rent	10,181— 2.2%	10,589— 2.4%	10,877— 2.3%	9,251— 2.4%
Heat, light, and power	4,344— 0.9%	4,058— 0.9%	4,316— 0.9%	3,126— 0.8%
Accounting, legal, and other professional fees	1,892— 0.4%	2,021— 0.4%	2,378— 0.5%	1,639— 0.4%
Taxes (except on buildings, income, and profit) and licenses	7,646— 1.6%	6,131— 1.4%	7,668— 1.6%	5,124— 1.3%
Insurance (except on buildings)	5,724— 1.2%	5,521— 1.2%	5,261— 1.1%	3,442— 0.9%
Interest paid	2,781— 0.6%	2,790— 0.6%	2,983— 0.6%	2,867— 0.8%
Repairs	1,506— 0.3%	1,620— 0.4%	1,595— 0.3%	1,261— 0.3%
Delivery	1,965— 0.4%	2,628— 0.6%	1,960— 0.4%	1,719— 0.5%
Advertising	4,022— 0.9%	3,821— 0.9%	5,669— 1.2%	5,521— 1.4%
Depreciation (except on buildings)	4,062— 0.9%	3,862— 0.9%	3,889— 0.8%	3,337— 0.9%
Bad debts charged off	444— 0.1%	237— 0.1%	376— 0.1%	378— 0.1%
Telephone	1,722— 0.4%	1,521— 0.3%	1,359— 0.3%	1,335— 0.4%
Miscellaneous	11,157— 2.4%	10,606— 2.4%	12,338— 2.6%	10,653— 2.8%
	10.1%	10.1%	10.4%	10.6%
Total expenses	$142,169— 30.6%	$135,536— 30.6%	$143,437— 30.1%	$116,819— 30.6%
Net profit (before taxes)	$ 6,978— 1.5%	$ 9,497— 2.2%	$ 12,655— 2.7%	$ 14,195— 3.7%
Add proprietor's withdrawals	27,279— 5.9%	27,489— 6.2%	26,351— 5.5%	25,509— 6.7%
Total income of self-employed proprietor (before taxes on income and profits)	$ 34,257— 7.4%	$ 36,986— 8.4%	$ 39,006— 8.2%	$ 39,704— 10.4%
Value of inventory at cost and as a percent of sales				
Prescription	$ 24,569— 12.3%	$ 27,054— 12.3%	$ 25,668— 11.2%	$ 24,224— 12.4%
Other	44,638— 16.9%	41,004— 18.5%	47,783— 19.4%	43,167— 23.3%
Total	$ 69,207— 14.9%	$ 68,058— 15.4%	$ 73,451— 15.5%	$ 67,391— 17.7%
Annual rate of turnover of inventory	4.7 times	4.5 times	4.5 times	3.8 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	349 $566.46	380 $571.31	397 $577.39	354 $548.21
Other	2,116 127.38	1,894 116.97	2,253 106.54	2,101 89.42
Total	2,465 189.58	2,274 192.97	2,650 177.04	2,455 155.53
Sales per dollar invested in inventory				
Prescription	$8.14	$8.14	$8.95	$8.10
Other	5.92	5.42	5.14	4.29
Net profit per dollar invested in inventory	$0.101	$0.140	$0.172	$0.211
Number of prescriptions dispensed				
New	13,048— 48.4%	16,340— 54.5%	14,853— 50.7%	11,292— 45.6%
Renewed	13,938— 51.6%	13,660— 45.5%	14,451— 49.3%	13,489— 54.4%
Total	26,986—100.0%	30,000—100.0%	29,304—100.0%	24,781—100.0%
Prescription charge	$7.41	$7.34	$7.84	$7.92
Number of hours per week				
Pharmacy was open	71 hours	69 hours	67 hours	61 hours
Worked by proprietor	50 hours	49 hours	48 hours	50 hours
Worked by employed pharmacist(s)	52 hours	47 hours	45 hours	36 hours

*Based on averages of pharmacies that reported all data

South Atlantic States (255 Pharmacies)	East South Central States (158 Pharmacies)	West South Central States (198 Pharmacies)	Mountain States (112 Pharmacies)	Pacific States (262 Pharmacies)	U.S. Average (2,070 Pharmacies)
$228,426– 57.1%	$222,499– 64.0%	$204,884– 61.9%	$154,252– 39.3%	$214,225– 48.3%	$212,949– 51.2%
171,947– 42.9%	125,329– 36.0%	126,077– 38.1%	238,267– 60.7%	229,476– 51.7%	203,212– 48.8%
$400,373–100.0%	$347,828–100.0%	$330,961–100.0%	$392,519–100.0%	$443,701–100.0%	$416,161–100.0%
259,157– 64.7%	221,707– 63.7%	211,957– 64.0%	263,942– 67.2%	278,991– 62.9%	273,390– 65.7%
$141,216– 35.3%	$126,121– 36.3%	$119,004– 36.0%	$128,577– 32.8%	$164,710– 37.1%	$142,771– 34.3%
$ 25,968– 6.5%	$ 25,245– 7.3%	$ 23,596– 7.1%	$ 24,156– 6.2%	$ 27,265– 6.1%	$ 26,001– 6.2%
50,636– 12.6%	40,199– 11.6%	35,954– 10.9%	41,385– 10.5%	55,988– 12.6%	49,128– 11.8%
8,848– 2.2%	7,716– 2.2%	7,800– 2.4%	9,386– 2.4%	14,237– 3.2%	10,127– 2.4%
3,905– 1.0%	3,342– 1.0%	3,017– 0.9%	3,201– 0.8%	3,339– 0.8%	3,682– 0.9%
1,495– 0.4%	1,370– 0.4%	1,630– 0.5%	1,696– 0.4%	2,823– 0.6%	1,966– 0.5%
6,524– 1.6%	5,042– 1.4%	4,560– 1.4%	4,568– 1.2%	7,117– 1.6%	6,254– 1.5%
4,294– 1.1%	3,518– 1.0%	3,304– 1.0%	4,046– 1.0%	5,242– 1.2%	4,539– 1.1%
2,457– 0.6%	2,662– 0.8%	2,614– 0.8%	3,875– 1.0%	3,329– 0.8%	2,901– 0.7%
1,409– 0.3%	1,139– 0.3%	1,444– 0.4%	1,369– 0.4%	1,941– 0.4%	1,503– 0.4%
1,816– 0.5%	1,636– 0.5%	2,094– 0.6%	1,530– 0.4%	2,288– 0.5%	1,984– 0.5%
3,530– 0.9%	3,622– 1.0%	3,649– 1.1%	4,837– 1.2%	4,792– 1.1%	4,590– 1.1%
3,246– 0.8%	2,905– 0.8%	3,000– 0.9%	4,288– 1.1%	3,840– 0.9%	3,591– 0.9%
639– 0.2%	897– 0.3%	726– 0.2%	677– 0.2%	921– 0.2%	556– 0.1%
1,586– 0.4%	1,375– 0.4%	1,460– 0.4%	1,429– 0.4%	1,575– 0.3%	1,463– 0.3%
9,367– 2.3%	8,322– 2.4%	9,423– 2.9%	3,486– 0.9%	14,650– 3.3%	10,702– 2.6%
10.1%	10.3%	11.1%	10.6%	9.0%	11.7%
$125,720– 31.4%	$108,990– 31.4%	$104,271– 31.5%	$109,929– 28.1%	$149,347– 33.6%	$128,987– 31.0%
$ 15,496– 3.9%	$ 17,131– 4.9%	$ 14,733– 4.5%	$ 18,648– 4.7%	$ 15,363– 3.5%	$ 13,784– 3.3%
25,968– 6.5%	25,245– 7.3%	23,596– 7.1%	24,156– 6.2%	27,265– 6.1%	26,001– 6.2%
$ 41,464– 10.4%	$ 42,376– 12.2%	$ 38,329– 11.6%	$ 42,804– 10.9%	$42,628– 9.6%	$ 39,785– 9.5%
$ 24,806– 10.9%	$ 26,213– 11.8%	$ 23,904– 11.7%	$ 20,132– 13.1%	$ 22,775– 10.6%	$ 24,639– 11.6%
38,343– 22.3%	30,745– 24.5%	30,131– 23.9%	50,555– 21.2%	49,146– 21.4%	42,381 – 20.9%
$ 63,149– 15.8%	$ 56,958– 16.4%	$ 54,035– 16.3%	$ 70,687– 18.0%	$ 71,921– 16.2%	$ 67,020– 16.1%
4.2 times	4.0 times	4.0 times	3.9 times	4.0 times	4.2 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
389 $583.36	392 $564.57	412 $493.61	361 $416.73	405 $529.46	385 $549.06
2,202 77.14	1,874 65.32	1,764 71.96	2,353 99.72	2,412 94.17	2,129 94.71
2,591 153.08	2,266 151.59	2,176 151.78	2,714 141.90	2,817 156.76	2,514 164.32
$9.21	$8.49	$8.57	$7.66	$9.41	$8.64
4.48	4.08	4.18	4.71	4.67	4.79
$0.245	$0.301	$0.273	$0.264	$0.214	$0.206
14,309– 47.0%	14,296– 46.1%	11,717– 47.4%	10,072– 53.8%	12,740– 53.8%	13,447– 49.6%
16,115– 53.0%	16,696– 53.9%	13,015– 52.6%	8,666– 46.2%	10,947– 46.2%	13,679– 50.4%
30,424–100.0%	30,992–100.0%	24,732–100.0%	18,738–100.0%	23,687–100.0%	27,126–100.0%
$7.51	$7.18	$8.28	$8.23	$9.04	$7.85
62 hours	61 hours	59 hours	61 hours	58 hours	63 hours
48 hours	49 hours	49 hours	49 hours	48 hours	49 hours
38 hours	27 hours	26 hours	35 hours	35 hours	38 hours

Pharmacy Location

The distribution of LILLY DIGEST pharmacies according to location as well as the operating statistics for those locations can be found in Chart 4 and Table 20. No significant deviation was observed in the distribution of retail pharmacies as compared with 1979 figures, although a smaller percentage of stores reported shopping center locations.

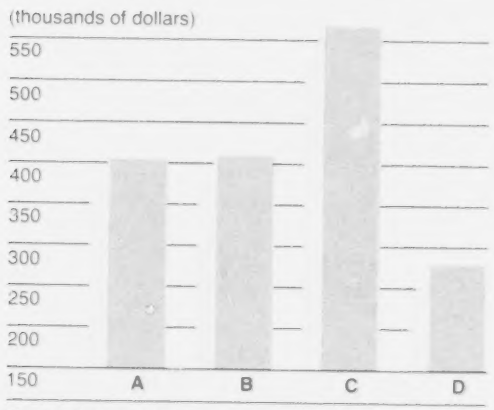
Shopping center operations again accounted for the highest average sales, largest floor area, and the greatest sales per dollar invested in prescription inventory. They also recorded the highest number of total prescriptions dispensed and remained open the longest hours. These operations posted the best net profit improvement as a percent of sales when compared with 1979 figures (up 0.6 percent).

Neighborhood and downtown locations also improved their net profit picture as a percent of sales (rising from 2.3 to 2.8 percent and from 3.3 to 3.6 percent respectively). These changes appeared to come about, in part, through improvement in expense control measures.

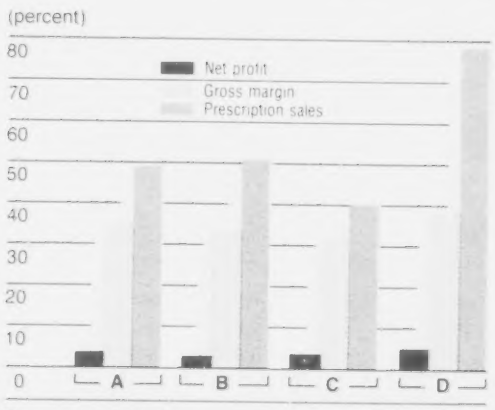
As in previous years, the highest net profit and fewest weekly hours open were reported by the medical office building pharmacies. These units also had the highest prescription charge ($8.30) and gross margin (39 percent of sales). Rental expenditure dollars per square foot are higher for these stores than any of the other locations ($10.05). When 1980 net profit figures are compared with those of 1979, a noticeable decline in percentages of sales is apparent in all locations. This was the result of total expenses not declining enough to offset the increase in cost of goods sold. However, net profit per dollar invested in inventory was once again highest in medical office building pharmacies.

Chart 4 *The effect of location on pharmacy operating data*

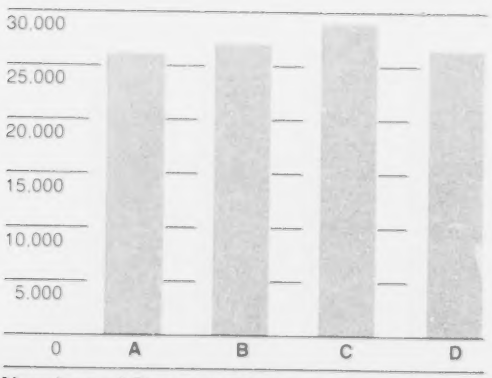
A Downtown
B Neighborhood
C Shopping Center
D Medical Office Building



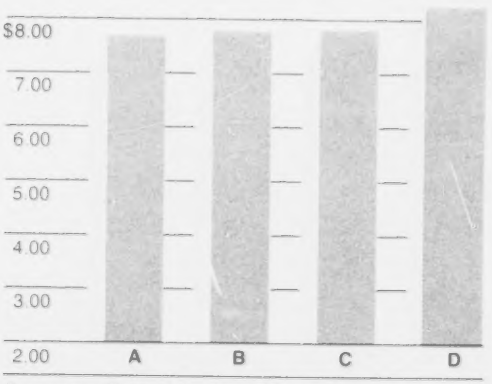
Total Sales Volume



Percent of Sales



Number of Prescriptions



Average Prescription Charge

Table 20 *Summary of pharmacy operations according to location*

Averages per Pharmacy	Downtown (762 Pharmacies)	Neighborhood (660 Pharmacies)	Shopping Center (295 Pharmacies)	Medical Office Building (274 Pharmacies)
Sales				
Prescription	$203,305— 49.9%	$212,152— 51.7%	$229,718— 40.5%	$222,069— 78.8%
Other	203,898— 50.1%	198,560— 48.3%	337,883— 59.5%	59,723— 21.2%
Total	$407,203—100.0%	$410,712—100.0%	$567,601—100.0%	$281,792—100.0%
Cost of goods sold	266,188— 65.4%	272,412— 66.3%	380,500— 67.0%	171,846— 61.0%
Gross margin	$141,015— 34.6%	$138,300— 33.7%	$187,101— 33.0%	$109,946— 39.0%
Expenses				
Proprietor's or manager's salary	$ 25,268— 6.2%	$ 25,797— 6.3%	$ 29,080— 5.1%	$ 25,072— 8.9%
Employees' wages	48,878— 12.0%	47,717— 11.6%	69,371— 12.2%	30,277— 10.7%
Rent	8,075— 2.0%	9,553— 2.3%	16,210— 2.9%	10,748— 3.8%
Heat, light, and power	3,771— 0.9%	3,883— 0.9%	5,344— 0.9%	1,015— 0.4%
Accounting, legal, and other professional fees	1,774— 0.4%	2,031— 0.5%	2,155— 0.4%	2,060— 0.7%
Taxes (except on buildings, income, and profit) and licenses	6,023— 1.5%	6,342— 1.6%	8,712— 1.5%	3,986— 1.4%
Insurance (except on buildings)	4,322— 1.1%	4,753— 1.2%	5,814— 1.0%	3,048— 1.1%
Interest paid	3,134— 0.8%	2,696— 0.7%	3,866— 0.7%	1,751— 0.6%
Repairs	1,503— 0.4%	1,627— 0.4%	1,938— 0.4%	713— 0.3%
Delivery	1,730— 0.4%	2,179— 0.5%	2,251— 0.4%	1,812— 0.6%
Advertising	5,486— 1.3%	3,844— 0.9%	6,388— 1.1%	1,934— 0.7%
Depreciation (except on buildings)	3,680— 0.9%	3,646— 0.9%	4,448— 0.8%	2,301— 0.8%
Bad debts charged off	606— 0.2%	516— 0.1%	549— 0.1%	568— 0.2%
Telephone	1,345— 0.3%	1,505— 0.4%	1,773— 0.3%	1,317— 0.5%
Miscellaneous	10,693— 2.6%	10,469— 2.6%	11,981— 2.1%	9,334— 3.3%
	10.8%	10.7%	9.7%	10.6%
Total expenses	$126,288— 31.0%	$126,558— 30.9%	$169,880— 29.9%	$ 95,936— 34.0%
Net profit (before taxes)	$ 14,727— 3.6%	$ 11,742— 2.8%	$ 17,221— 3.1%	$ 14,010— 5.0%
Add proprietor's withdrawals	25,268— 6.2%	25,797— 6.3%	29,080— 5.1%	25,072— 8.9%
Total income of self-employed proprietor (before taxes on income and profits)	$ 39,995— 9.8%	$ 37,539— 9.1%	$ 46,301— 8.2%	$ 39,082— 13.9%
Value of inventory at cost and as a percent of sales				
Prescription	$ 24,037— 11.8%	$ 24,684— 11.6%	$ 25,428— 11.1%	$ 25,216— 11.4%
Other	46,335— 22.7%	40,461— 20.4%	65,093— 19.3%	10,689— 17.9%
Total	$ 70,372— 17.3%	$ 65,145— 15.9%	$ 90,521— 15.9%	$ 35,905— 12.7%
Annual rate of turnover of inventory	3.9 times	4.3 times	4.4 times	5.0 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	374 $538.18	376 $565.81	398 $573.37	432 $517.19
Other	2,237 91.48	2,107 93.79	3,233 100.92	637 95.71
Total	2,611 163.21	2,483 171.63	3,631 163.54	1,069 284.24
Sales per dollar invested in inventory				
Prescription	$8.46	$8.59	$9.03	$8.81
Other	4.40	4.91	5.19	5.59
Net profit per dollar invested in inventory	$0.209	$0.180	$0.190	$0.390
Number of prescriptions dispensed				
New	12,225— 46.5%	13,373— 49.2%	14,962— 50.9%	15,085— 56.4%
Renewed	14,039— 53.5%	13,786— 50.8%	14,413— 49.1%	11,677— 43.6%
Total	26,264—100.0%	27,159—100.0%	29,375—100.0%	26,762—100.0%
Prescription charge	$7.74	$7.81	$7.82	$8.30
Number of hours per week				
Pharmacy was open	63 hours	66 hours	70 hours	52 hours
Worked by proprietor	50 hours	49 hours	48 hours	47 hours
Worked by employed pharmacist(s)	37 hours	40 hours	48 hours	27 hours

*Based on averages of pharmacies that reported all data

Rent

During 1980, rental expense for the average independent community pharmacy fell 0.1 percent, to 2.4 percent of total sales volume. This was only the third time in 16 years that the rental expenditure percentage has changed—and within a very narrow range. Perhaps one explanation for the overall consistency of the rental rate over time is the long-term nature of rental agreements. These agreements are usually the result of considerable negotiation between lessee and lessor, since the pharmacy owner is well aware of the impact of the rental figure on his net profit forecast. Rental leases for pharmacy operations specify payments in terms of percent of sales, dollar figures per square foot occupied, total monthly or yearly dollar rates, or some combination of these.

Table 21 presents rental expense as a percent of sales according to sales volume. The frequency distribution of rental expense has changed very little from that reported in the 1980 DIGEST. The majority of pharmacies—55 percent (the same percentage as reported last year)—paid 2.5 percent of sales or less for rent, and 78 percent spent less than 3.5 percent.

Table 22 is designed to permit evaluation of a pharmacy's rent from several different points of view. All sections of the table should be examined for a proper perspective of the influence of these variables on rental expense.

Section A correlates rent with sales volume. As sales increase, rent generally declines as a percent of sales, although it rises dollarwise. Large, high-volume pharmacies pay more rent, but each square foot is more productive.

Section B shows how the size of the pharmacy decreases as the percentage of prescription volume to total sales increases. Rent, expressed both in dollars and as a percent of sales, declines until the highest prescription category is reached. The heavily prescription-oriented pharmacies are commonly located in medical office buildings, which traditionally charge higher rents.

When daily prescription activity expands, there is an increase in total sales volume. Section C reveals that as sales volume rises, rent declines percentagewise. Section A closely parallels these data.

The impact of store age on rental figures is shown in Section D. Sales continue to advance as a pharmacy grows older, and rental expenditures decline as a percent of sales. Pharmacies in operation less than two years have the lowest sales volume and thus report the highest rent as a percent of sales.

Section E depicts rent expense according to geographic region. The East North Central States reported the highest average total sales, followed closely by the New England States, and their rent percentages were among the lowest. Pharmacies in the Pacific States recorded the most dollar rent per square foot and as a percent of sales. It is interesting to note that this region also shows a higher gross margin, which may help offset the higher rental expenditure.

Table 21 *Rental percentages by sales size*

	Under $100,000	$100,000-$150,000	$150,000-$200,000	$200,000-$250,000	$250,000-$300,000	$300,000-$350,000	$350,000-$400,000	$400,000-$450,000	$450,000-$500,000	$500,000-$600,000	$600,000-$750,000	$750,000-$1,000,000	Over $1,000,000	Total	Percent of Pharmacies
Number of Pharmacies	54	122	221	244	217	224	184	143	103	186	157	126	89	2,070	100.0%
Rent as a Percent of Sales															
Less than 1.5%	6	9	33	40	63	59	53	44	22	53	34	24	20	460	22.2%
1.5% to 2.5%	8	23	57	88	75	75	57	51	37	67	57	47	37	679	32.8%
2.5% to 3.5%	12	29	52	58	43	50	46	23	23	41	44	37	18	476	23.0%
3.5% to 4.5%	5	20	36	29	17	25	19	15	13	11	12	7	11	220	10.6%
4.5% to 5.5%	9	22	17	12	8	7	4	9	4	8	6	6	2	114	
5.5% to 6.5%	6	8	15	9	5	6	4	—	2	4	3	4	1	67	
6.5% to 7.5%	1	4	4	5	3	1	1	1	1	1	1	1	—	24	
7.5% to 8.5%	—	2	3	1	1	—	—	—	—	—	—	—	—	7	
8.5% to 9.5%	3	3	3	1	1	—	—	—	—	1	—	—	—	12	11.4%
9.5% to 10.5%	2	—	—	1	—	—	—	—	—	—	—	—	—	3	
10.5% to 11.5%	1	1	—	—	—	—	—	—	—	—	—	—	—	2	
11.5% to 12.5%	—	1	—	—	—	1	—	—	—	—	—	—	—	2	
12.5% and over	1	—	1	—	1	—	—	—	1	—	—	—	—	4	

Table 22 *Rent correlated with various factors*

A Annual Sales	Average Sales	Size of Pharmacy (Sq. Ft.)*	Sales per Square Foot	Average Rent	Rent per Square Foot	Rent Percentage
Under $100,000	$ 78,753	901	$ 87.58	$ 3,338	$3.70	4.2%
$100,000 to $150,000	127,044	1,240	102.31	4,772	3.85	3.8%
$150,000 to $200,000	176,181	1,490	118.22	5,574	3.74	3.2%
$200,000 to $250,000	224,289	1,728	129.74	6,097	3.53	2.7%
$250,000 to $300,000	273,456	1,915	142.99	6,535	3.41	2.4%
$300,000 to $350,000	324,530	2,090	155.36	7,785	3.72	2.4%
$350,000 to $400,000	374,834	2,542	147.56	8,503	3.35	2.3%
$400,000 to $450,000	422,375	2,660	158.98	9,466	3.56	2.2%
$450,000 to $500,000	473,788	2,800	169.18	11,922	4.28	2.5%
$500,000 to $600,000	549,308	3,085	178.17	12,535	4.06	2.3%
$600,000 to $750,000	666,312	3,554	186.96	15,892	4.47	2.4%
$750,000 to $1,000,000	860,719	4,619	185.94	21,437	4.64	2.5%
Over $1,000,000	1,377,556	5,970	225.32	29,711	4.98	2.2%
B Percentage of Prescription Volume to Total Sales						
Under 20%	$ 868,421	5,086	$157.46	$22,111	$4.35	2.5%
20% to 25%	627,532	3,870	160.81	19,053	4.92	3.0%
25% to 30%	693,290	4,336	162.13	16,215	3.74	2.3%
30% to 35%	660,794	3,689	164.01	15,415	4.18	2.6%
35% to 40%	520,999	3,406	152.01	13,124	3.85	2.5%
40% to 45%	488,552	3,031	156.60	11,214	3.70	2.3%
45% to 50%	452,968	2,891	157.40	10,187	3.52	2.2%
50% to 55%	377,095	2,566	145.20	8,371	3.26	2.2%
55% to 60%	362,711	2,422	150.06	7,952	3.28	2.2%
60% to 75%	341,230	2,060	163.89	7,696	3.74	2.3%
Over 75%	278,291	1,229	226.39	8,025	6.53	2.9%
C Number of Prescriptions Dispensed Daily						
Under 25	$ 164,602	1,681	$104.18	$ 5,346	$3.18	3.2%
25 to 35	223,428	2,108	112.30	7,177	3.40	3.2%
35 to 50	249,949	2,040	130.25	6,994	3.43	2.8%
50 to 60	327,221	2,240	155.23	8,671	3.87	2.6%
60 to 75	376,364	2,448	163.11	9,219	3.77	2.4%
75 to 100	489,699	2,870	180.43	11,003	3.83	2.2%
100 to 125	571,173	3,058	197.96	13,183	4.31	2.3%
125 to 150	703,082	3,039	242.94	15,843	5.21	2.3%
150 to 200	834,667	3,306	281.95	19,047	5.76	2.3%
Over 200	1,143,671	4,176	337.05	22,253	5.33	1.9%
D Number of Years Pharmacy Has Been in Operation						
Less than 2 years	$ 247,560	1,918	$129.06	$ 8,278	$4.32	3.3%
2 to 5 years	316,518	2,118	149.46	8,501	4.01	2.7%
5 to 10 years	399,405	2,429	164.41	9,879	4.07	2.5%
Over 10 years	485,906	2,813	172.76	11,111	3.95	2.3%
E Geographic Region						
New England States	$ 464,279	2,465	$189.58	$10,181	$4.13	2.2%
Middle Atlantic States	442,518	2,274	192.97	10,589	4.66	2.4%
East North Central States	475,364	2,650	177.04	10,877	4.10	2.3%
West North Central States	381,456	2,455	155.53	9,251	3.77	2.4%
South Atlantic States	400,373	2,591	153.08	8,848	3.41	2.2%
East South Central States	347,828	2,266	151.59	7,716	3.41	2.2%
West South Central States	330,961	2,176	151.78	7,800	3.58	2.4%
Mountain States	392,519	2,714	141.90	9,386	3.46	2.4%
Pacific States	443,701	2,817	156.76	14,237	5.05	3.2%
LILLY DIGEST Average	416,161	2,514	164.32	10,127	4.03	2.4%

*Based on averages of pharmacies that reported all data

Balance Sheet and Financial Ratios

The pharmacist-owner must review the balance sheet from the standpoint of a capital investor, relating income to the permanent funds invested and evaluating the overall liquidity and solvency of the business. Since the primary objective of a business is to earn a satisfactory return on the funds invested in it, he must be prepared to justify any unusual expenditures or losses. A sound management policy dictates that the pharmacist-owner manager review both the income and expense statement for an evaluation of operations and the balance sheet for an assessment of financial position.

The owner-investor can judge how effectively the assets are being utilized by relating the asset and liability position to sales and profit figures (see Table 23). Balance sheet information can be developed into ratios that measure asset usage (return on asset investment); the liquidity of the business, or its ability to meet current obligations (current ratio); and the general solvency of the firm (debt/equity ratio). It should be noted that the ratios calculated from the financial information are not inflexible determinants of success or failure but, rather, represent indicators of performance at one point in time. It is suggested that these ratios be considered as a group rather than separately. Comparisons can be made with the values to be found in Tables 24 through 28.

Liquidity or Short-Term Capitalization

Liquidity measures the pharmacy's ability to meet its current obligations and reflects the relationship between the store's short-term financial obligations (current liabilities) and the source of funds available to meet these requirements (current assets).

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

The "current ratio" is determined by dividing the current assets (cash, notes and accounts receivable, and inventory) by the current liabilities (accounts and notes payable which fall due within one year). Some observers believe that a current ratio of 2 to 1 is appropriate for many businesses. This value would allow the current assets to shrink 50 percent and still cover the current obligations.

The current ratio is a measure not only of the pharmacy's liquidity but also of the margin of safety that management maintains in order to allow for the inevitable unevenness in the flow of funds during the year.

A creditor would like to see a high current ratio; this would indicate a wide margin of safety for any claims against the business. However, a very high ratio may indicate that the manager is not utilizing funds in the most productive way. The inventory, accounts receivable, and cash investment may be higher than necessary and therefore not generating an adequate return.

Table 24 gives an average current ratio of 3.1 to 1 for LILLY DIGEST pharmacies, with newer operations having lower ratios than established pharmacies.

Profitability

Profitability is the measuring stick used to evaluate how effective the manager has been in increasing the owner's equity.

$$\text{Net Profit on Net Sales} = \frac{\text{Net Profit (before Taxes)}}{\text{Annual Sales}}$$

Net profit as a percentage of sales is a widely used measure of profitability. Year-to-year comparisons can be made to discover whether increased profits were due only to increased sales or whether a larger percentage of sales revenue was accounted for in the net profit figure. A discussion of the subject appears on page 36. This measure of profitability is most useful in connection with another standard ratio—return on investment.

$$\text{Return on Investment (Return on Equity)} = \frac{\text{Net Profit}}{\text{Net Worth}}$$

Net worth is the amount of owner's equity and is the difference between total assets and total liabilities. The resulting figure is then divided into net profit (before taxes). In recent years, the return-on-equity calculation has been considered the broadest measure of overall performance, since it evaluates how well funds, as supplied by the owners, are being utilized.

Some individuals think that a more accurate indicator of investment return can be found in the return on total investment.

$$\text{Return on Total Investment} = \frac{\text{Net Profit (before Taxes)}}{\text{Owner's Equity + Long-Term Liabilities}}$$

Net profit on total investment looks at income in relation to the total of the permanent funds invested in the business. It makes no distinction between owner's equity and borrowed capital. The return-on-total-investment ratio is a measure of how well management has used all these permanent funds.

Solvency or Long-Term Capitalization

Solvency is calculated by lenders in estimating the borrowing potential of a firm. Solvency refers to the ability of a pharmacy to meet the repayment schedule on long-term obligations.

$$\text{Debt/Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Net Worth}}$$

A pharmacy in which the total debt exceeds the owner's equity is quite vulnerable to sharp or dramatic changes in the operation. Such changes could be caused by a sudden and prolonged drop in sales or a rise in expenses. When the debt/equity ratio is low, in comparison with that in similar operations, the pharmacy may not be leveraged to best advantage.

Net Sales to Net Worth

This ratio examines the productivity of equity in terms of generating sales. A high ratio may imply inadequate owner's capitalization or, put another way, a highly leveraged firm. When the ratio is low, the operation is not obtaining full use of its funds, and the owner's investment has become stagnant.

Funded Debt to Net Working Capital

Funded debts are long-term obligations such as mortgages, chattel mortgages, term notes, and other notes not maturing within one year. If funded debt is divided by net working capital, a ratio is obtained which is helpful in determining one's ability to borrow. When the percentage is low, there is less reliance on funded debt for working capital, and the owner is in a better financial position to borrow funds.

$$\text{Average Payable Period} = \frac{\text{Outstanding Accounts Payable}}{\text{Annual Purchases}} \times 365$$

This ratio expresses the number of days outstanding in accounts payable and measures the extent to which a business is operating on suppliers' capital. A higher than average value may imply that the pharmacy is not taking suppliers' cash discounts. This form of credit is the most easily obtained, but it is also one of the most expensive sources of funds when the lost discounts are considered.

The balance sheet data submitted by 1,631 pharmacies is summarized in Table 23. When compared with 1980 data, net working capital increased by $3,483 (up 6.1 percent) as the result of a $4,683 rise in current assets (up 5.5 percent) and a $1,200 increase in current liabilities (up 4.3 percent). Although net worth rose by $2,752 (up 4.5 percent) during 1980, as a percent of sales it dropped from 58.4 to 57.9 percent. The growth in net profit before taxes (up 9.9 percent) resulted in a greater return on investment of 21.8 percent as compared with 20.7 percent the previous year.

Figures for comparison are arranged according to age of the pharmacy as well as sales volume. The primary column for comparison in each category is that which expresses the components as a percent of sales (printed in color).

Table 23 *Current trends in balance sheet information*

Averages per Pharmacy	December 31,1980 (1,631 Pharmacies)	December 31,1979 (1,151 Pharmacies)	Amount and Percent of Change
Assets			
Current assets			
Cash	$ 12,947— 11.8%	$ 11,935— 11.4%	+ $ 1,012— 8.5%
Accounts receivable	14,597— 13.3%	13,564— 13.0%	+ $ 1,033— 7.6%
Inventory	61,888— 56.3%	59,250— 56.9%	+ $ 2,638— 4.5%
Total current assets	$ 89,432— 81.4%	$ 84,749— 81.3%	+ $ 4,683— 5.5%
Fixed assets			
Fixtures and equipment and leasehold improvements (net after reserve for depreciation)	14,712— 13.4%	14,117— 13.5%	+ $ 595— 4.2%
Other assets			
Prepaid expenses, deposits, etc.	5,749— 5.2%	5,376— 5.2%	+ $ 373— 6.9%
Total assets*	$109,893—100.0%	$104,242—100.0%	+ $ 5,651— 5.4%
Liabilities			
Current and accrued liabilities			
Accounts payable	$ 17,454— 15.9%	$ 16,713— 16.0%	+ $ 741— 4.4%
Notes payable (within one year)	6,060— 5.5%	5,804— 5.6%	+ $ 256— 4.4%
Accrued expenses and other liabilities	5,757— 5.2%	5,554— 5.3%	+ $ 203— 3.7%
Total current and accrued liabilities	$ 29,271— 26.6%	$ 28,071— 26.9%	+ $ 1,200— 4.3%
Long-term liabilities			
Notes payable (later than one year)	17,012— 15.5%	15,313— 14.7%	+ $ 1,699—11.1%
Total liabilities	$ 46,283— 42.1%	$ 43,384— 41.6%	+ $ 2,899— 6.7%
Net Worth	63,610— 57.9%	60,858— 58.4%	+ $ 2,752— 4.5%
Total liabilities and net worth*	$109,893—100.0%	$104,242—100.0%	+ $ 5,651— 5.4%
Net working capital	$ 60,161	$ 56,678	+ $ 3,483— 6.1%
Sales	$379,222	$360,510	+ $18,712— 5.2%
Purchases	$252,527	$239,979	+ $12,548— 5.2%
Net profit (before taxes)	$ 13,877	$ 12,623	+ $ 1,254— 9.9%

*Excludes land, buildings, investments, and goodwill and corresponding liabilities

Table 24 *Current financial ratios by pharmacy age*

	Pharmacy Age under 2 Years (111 Pharmacies)	Pharmacy Age 2 to 5 Years (325 Pharmacies)	Pharmacy Age 5 to 10 Years (372 Pharmacies)	Pharmacy Age over 10 Years (823 Pharmacies)	Total (1,631 Pharmacies)
Current assets to current liabilities	3.2 times	2.7 times	2.9 times	3.2 times	3.1 times
Quick assets to current liabilities	0.8 times	0.8 times	0.9 times	1.0 times	0.9 times
Net sales to inventory	5.3 times	5.9 times	6.2 times	6.2 times	6.1 times
Inventory to net working capital	109.1%	114.3%	106.9%	98.0%	102.9%
Current debt to inventory	40.8%	50.6%	48.7%	46.3%	47.3%
Net sales to net working capital	5.7 times	6.8 times	6.7 times	6.1 times	6.3 times
Net profit (before taxes) on net sales	2.9%	4.2%	3.9%	3.5%	3.7%
Net profit (before taxes) on net worth	22.3%	33.8%	24.3%	18.7%	21.8%

Table 25 *Balance sheet and financial ratios by pharmacy age as of December 31, 1980—sales under $200,000*

Averages per Pharmacy	Pharmacy Age under 5 Years (147 Pharmacies)	Percent of Sales	Pharmacy Age over 5 Years (164 Pharmacies)	Percent of Sales	Total (311 Pharmacies)	Percent of Sales
Assets						
Current assets						
Cash	$ 4,774— 9.5%	3.4%	$ 5,003— 9.8%	3.2%	$ 4,894— 9.7%	3.3%
Accounts receivable	4,410— 8.7%	3.1%	5,771— 11.4%	3.8%	5,128— 10.1%	3.5%
Inventory	29,550— 58.5%	20.9%	30,771— 60.6%	20.0%	30,194— 59.6%	20.4%
Total current assets	$ 38,734— 76.7%	27.4%	$ 41,545— 81.8%	27.0%	$ 40,216— 79.4%	27.2%
Fixed assets						
Fixtures and equipment and leasehold improvements (net after reserve for depreciation)	10,484— 20.8%	7.4%	6,638— 13.1%	4.3%	8,456— 16.7%	5.7%
Other assets						
Prepaid expenses, deposits, etc.	1,260— 2.5%	0.9%	2,612— 5.1%	1.7%	1,973— 3.9%	1.3%
Total assets*	$ 50,478—100.0%	35.7%	$ 50,795—100.0%	33.0%	$ 50,645—100.0%	34.2%
Liabilities						
Current and accrued liabilities						
Accounts payable	$ 6,030— 11.9%	4.3%	$ 6,430— 12.6%	4.2%	$ 6,241— 12.3%	4.2%
Notes payable (within one year)	4,415— 8.8%	3.1%	2,547— 5.0%	1.7%	3,430— 6.8%	2.3%
Accrued expenses and other liabilities	1,562— 3.1%	1.1%	1,763— 3.5%	1.1%	1,668— 3.3%	1.1%
Total current and accrued liabilities	$ 12,007— 23.8%	8.5%	$ 10,740— 21.1%	7.0%	$ 11,339— 22.4%	7.6%
Long-term liabilities						
Notes payable (later than one year)	17,019— 33.7%	12.0%	4,940— 9.7%	3.2%	10,649— 21.0%	7.2%
Total liabilities	$ 29,026— 57.5%	20.5%	$ 15,680— 30.8%	10.2%	$ 21,988— 43.4%	14.8%
Net Worth	21,452— 42.5%	15.2%	35,115— 69.2%	22.8%	28,657— 56.6%	19.4%
Total liabilities and net worth*	$ 50,478—100.0%	35.7%	$ 50,795—100.0%	33.0%	$ 50,645—100.0%	34.2%
Net working capital	$ 26,727	18.9%	$ 30,805	20.0%	$ 28,877	19.7%
Sales	$141,184	100.0%	$153,774	100.0%	$147,823	100.0%
Purchases	$ 92,976	65.9%	$ 98,080	63.8%	$ 95,668	64.7%
Net profit (before taxes)	$ 4,116	2.9%	$ 5,386	3.5%	$ 4,785	3.2%

*Excludes land, buildings, investments, and goodwill and corresponding liabilities

Financial Ratios			
Current assets to current liabilities	3.2 times	3.8 times	3.5 times
Quick assets to current liabilities	0.8 times	1.0 times	0.9 times
Net sales to inventory	4.8 times	5.0 times	4.9 times
Inventory to net working capital	110.6%	99.9%	104.6%
Current debt to inventory	40.6%	34.9%	37.6%
Net sales to net working capital	5.3 times	5.0 times	5.1 times
Net profit (before taxes) on net sales	2.9%	3.5%	3.2%
Net profit (before taxes) on net worth	19.2%	15.3%	16.7%

Table 26 *Balance sheet and financial ratios by pharmacy age as of December 31, 1980—sales $200,000 to $400,000*

Averages per Pharmacy	Pharmacy Age under 5 Years (209 Pharmacies)	Percent of Sales	Pharmacy Age over 5 Years (498 Pharmacies)	Percent of Sales	Total (707 Pharmacies)	Percent of Sales
Assets						
Current assets						
Cash	$ 8,182— 9.7%	2.9%	$ 11,877— 13.1%	3.9%	$ 10,784— 12.1%	3.7%
Accounts receivable	8,847— 10.5%	3.2%	12,927— 14.2%	4.3%	11,721— 13.2%	4.0%
Inventory	48,828— 57.8%	17.6%	51,563— 56.8%	17.1%	50,755— 57.1%	17.1%
Total current assets	$ 65,857— 78.0%	23.7%	$ 76,367— 84.1%	25.3%	$ 73,260— 82.4%	24.8%
Fixed assets						
Fixtures and equipment and leasehold improvements (net after reserve for depreciation)	14,521— 17.2%	5.2%	10,108— 11.1%	3.3%	11,412— 12.8%	3.9%
Other assets						
Prepaid expenses, deposits, etc.	4,070— 4.8%	1.5%	4,326— 4.8%	1.4%	4,251— 4.8%	1.5%
Total assets*	$ 84,448—100.0%	30.4%	$ 90,801—100.0%	30.0%	$ 88,923—100.0%	30.2%
Liabilities						
Current and accrued liabilities						
Accounts payable	$ 12,352— 14.6%	4.5%	$ 13,340— 14.7%	4.4%	$ 13,048— 14.7%	4.4%
Notes payable (within one year)	5,837— 6.9%	2.1%	4,480— 4.9%	1.5%	4,881— 5.5%	1.7%
Accrued expenses and other liabilities	4,087— 4.8%	1.5%	3,838— 4.2%	1.3%	3,912— 4.4%	1.3%
Total current and accrued liabilities	$ 22,276— 26.3%	8.1%	$ 21,658— 23.8%	7.2%	$ 21,841— 24.6%	7.4%
Long-term liabilities						
Notes payable (later than one year)	27,530— 32.6%	9.9%	8,751— 9.6%	2.9%	14,303— 16.1%	4.9%
Total liabilities	$ 49,806— 58.9%	18.0%	$ 30,409— 33.4%	10.1%	$ 36,144— 40.7%	12.3%
Net Worth	34,642— 41.1%	12.4%	60,392— 66.6%	19.9%	52,779— 59.3%	17.9%
Total liabilities and net worth*	$ 84,448—100.0%	30.4%	$ 90,801—100.0%	30.0%	$ 88,923—100.0%	30.2%
Net working capital	$ 43,581	15.7%	$ 54,709	18.1%	$ 51,419	17.4%
Sales	$277,396	100.0%	$302,277	100.0%	$294,886	100.0%
Purchases	$183,767	66.2%	$197,875	65.5%	$193,705	65.7%
Net profit (before taxes)	$ 11,835	4.3%	$ 12,539	4.1%	$ 12,330	4.2%

*Excludes land, buildings, investments, and goodwill and corresponding liabilities

Financial Ratios			
Current assets to current liabilities	3.0 times	3.5 times	3.4 times
Quick assets to current liabilities	0.8 times	1.1 times	1.0 times
Net sales to inventory	5.7 times	5.9 times	5.8 times
Inventory to net working capital	112.0%	94.2%	98.7%
Current debt to inventory	45.6%	42.0%	43.0%
Net sales to net working capital	6.4 times	5.5 times	5.7 times
Net profit (before taxes) on net sales	4.3%	4.1%	4.2%
Net profit (before taxes) on net worth	34.2%	20.8%	23.4%

The balance sheet and financial ratios data in the LILLY DIGEST are arranged according to the following sales volume categories—under $200,000, $200,000 to $400,000, $400,000 to $600,000, and over $600,000. Stores within each sales category are also divided according to age, with the exception of those reporting annual sales over $600,000. In this category there were too few

Table 27 *Balance sheet and financial ratios by pharmacy age as of December 31, 1980—sales $400,000 to $600,000*

Averages per Pharmacy	Pharmacy Age under 5 Years (53 Pharmacies)	Percent of Sales	Pharmacy Age over 5 Years (317 Pharmacies)	Percent of Sales	Total (370 Pharmacies)	Percent of Sales
Assets						
Current assets						
Cash	$ 17,793— 12.8%	3.7%	$ 17,881— 12.7%	3.6%	$ 17,868— 12.7%	3.6%
Accounts receivable	17,613— 12.7%	3.6%	20,297— 14.4%	4.1%	19,912— 14.1%	4.1%
Inventory	69,585— 50.1%	14.4%	76,808— 54.3%	15.7%	75,774— 53.8%	15.5%
Total current assets	$104,991— 75.6%	21.7%	$114,986— 81.4%	23.4%	$113,554— 80.6%	23.2%
Fixed assets						
Fixtures and equipment and leasehold improvements (net after reserve for depreciation)	26,257— 18.9%	5.4%	18,314— 13.0%	3.7%	19,452— 13.8%	4.0%
Other assets						
Prepaid expenses, deposits, etc.	7,637— 5.5%	1.7%	7,920— 5.6%	1.7%	7,880— 5.6%	1.6%
Total assets*	$138,885—100.0%	28.8%	$141,220—100.0%	28.8%	$140,886—100.0%	28.8%
Liabilities						
Current and accrued liabilities						
Accounts payable	$ 22,701— 16.3%	4.7%	$ 22,419— 15.9%	4.6%	$ 22,459— 15.9%	4.6%
Notes payable (within one year)	11,823— 8.5%	2.4%	6,341— 4.5%	1.3%	7,126— 5.1%	1.5%
Accrued expenses and other liabilities	6,950— 5.0%	1.4%	8,183— 5.8%	1.7%	8,007— 5.7%	1.6%
Total current and accrued liabilities	$ 41,474— 29.8%	8.5%	$ 36,943— 26.2%	7.6%	$ 37,592— 26.7%	7.7%
Long-term liabilities						
Notes payable (later than one year)	38,459— 27.7%	8.0%	15,554— 11.0%	3.2%	18,835— 13.4%	3.8%
Total liabilities	$ 79,933— 57.5%	16.5%	$ 52,497— 37.2%	10.8%	$ 56,427— 40.1%	11.5%
Net Worth	58,952— 42.5%	12.3%	88,723— 62.8%	18.0%	84,459— 59.9%	17.3%
Total liabilities and net worth*	$138,885—100.0%	28.8%	$141,220—100.0%	28.8%	$140,886—100.0%	28.8%
Net working capital	$ 63,517	13.2%	$ 78,043	15.9%	$ 75,962	15.5%
Sales	$482,819	100.0%	$490,676	100.0%	$489,550	100.0%
Purchases	$326,762	67.7%	$325,122	66.3%	$325,357	66.5%
Net profit (before taxes)	$ 20,008	4.1%	$ 18,016	3.7%	$ 18,302	3.7%

*Excludes land, buildings, investments, and goodwill and corresponding liabilities

Financial Ratios			
Current assets to current liabilities	2.5 times	3.1 times	3.0 times
Quick assets to current liabilities	0.9 times	1.0 times	1.0 times
Net sales to inventory	6.9 times	6.4 times	6.5 times
Inventory to net working capital	109.6%	98.4%	99.8%
Current debt to inventory	59.6%	48.1%	49.6%
Net sales to net working capital	7.6 times	6.3 times	6.4 times
Net profit (before taxes) on net sales	4.1%	3.7%	3.7%
Net profit (before taxes) on net worth	33.9%	20.3%	21.7%

operations under five years of age to provide meaningful comparisons. The balance sheet data show that, regardless of sales volume, as a pharmacy matures to over five years of age, long-term liabilities decrease significantly both dollarwise and as a percent of sales. As a pharmacy matures, it generates adequate funds to retire debt and build up net worth.

Table 28 *Balance sheet and financial ratios as of December 31, 1980—sales over $600,000*

Averages per Pharmacy	Total (243 Pharmacies)	Percent of Sales
Assets		
Current assets		
Cash	$ 22,049— 11.0%	2.9%
Accounts receivable	26,988— 13.5%	3.6%
Inventory	113,708— 57.1%	15.1%
Total current assets	$162,745— 81.6%	21.6%
Fixed assets		
Fixtures and equipment and leasehold improvements (net after reserve for depreciation)	25,100— 12.6%	3.3%
Other assets		
Prepaid expenses, deposits, etc.	11,698— 5.8%	1.6%
Total assets*	$199,543—100.0%	26.5%
Liabilities		
Current and accrued liabilities		
Accounts payable	$ 37,004— 18.5%	4.9%
Notes payable (within one year)	11,234— 5.6%	1.5%
Accrued expenses and other liabilities	12,932— 6.5%	1.7%
Total current and accrued liabilities	$ 61,170— 30.6%	8.1%
Long-term liabilities		
Notes payable (later than one year)	30,264— 15.2%	4.0%
Total liabilities	$ 91,434— 45.8%	12.1%
Net Worth	108,109— 54.2%	14.4%
Total liabilities and net worth*	$199,543—100.0%	26.5%
Net working capital	$101,575	13.5%
Sales	$752,760	100.0%
Purchases	$513,532	68.2%
Net profit (before taxes)	$ 23,273	3.1%

*Excludes land, buildings, investments, and goodwill and corresponding liabilities

Financial Ratios	
Current assets to current liabilities	2.7 times
Quick assets to current liabilities	0.8 times
Net sales to inventory	6.6 times
Inventory to net working capital	111.9%
Current debt to inventory	53.8%
Net sales to net working capital	7.4 times
Net profit (before taxes) on net sales	3.1%
Net profit (before taxes) on net worth	21.5%

Table 29 *Ten-year trends*

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales
Assets										
Current assets										
Cash	3.4%	3.3%	3.5%	3.8%	3.8%	4.1%	3.9%	4.5%	4.7%	4.3%
Accounts receivable	3.8%	3.8%	3.8%	3.9%	3.9%	4.0%	4.2%	4.1%	4.2%	4.2%
Inventory	16.4%	16.4%	16.5%	16.4%	16.5%	16.5%	16.9%	16.8%	16.9%	16.9%
Total current assets	23.6%	23.5%	23.8%	24.1%	24.2%	24.6%	25.0%	25.4%	25.8%	25.4%
Fixed assets										
Fixtures and equipment and leasehold improvements (net after reserve for depreciation)	3.9%	3.9%	3.9%	3.8%	3.9%	3.7%	3.7%	4.0%	4.1%	4.4%
Other assets										
Prepaid expenses, deposits, etc.	1.5%	1.5%	1.5%	1.4%	1.3%	1.6%	1.5%	1.7%	1.6%	1.4%
Total assets*	29.0%	28.9%	29.2%	29.3%	29.4%	29.9%	30.2%	31.1%	31.5%	31.2%
Liabilities										
Current and accrued liabilities										
Accounts payable	4.6%	4.6%	4.7%	4.7%	4.9%	4.9%	5.3%	5.1%	4.9%	5.2%
Notes payable (within one year)	1.6%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%	1.7%	1.3%	1.5%
Accrued expenses and other liabilities	1.5%	1.5%	1.6%	1.5%	1.5%	1.6%	1.7%	1.7%	1.8%	1.7%
Total current and accrued liabilities	7.7%	7.7%	7.9%	7.8%	8.0%	8.0%	8.5%	8.5%	8.0%	8.4%
Long-term liabilities										
Notes payable (later than one year)	4.5%	4.2%	4.6%	4.1%	4.1%	3.7%	4.2%	4.0%	3.9%	3.8%
Total liabilities	12.2%	11.9%	12.5%	11.9%	12.1%	11.7%	12.7%	12.5%	11.9%	12.2%
Net Worth	16.8%	17.0%	16.7%	17.4%	17.3%	18.2%	17.5%	18.6%	19.6%	19.0%
Total liabilities and net worth*	29.0%	28.9%	29.2%	29.3%	29.4%	29.9%	30.2%	31.1%	31.5%	31.2%
Net working capital	15.9%	15.7%	15.9%	16.2%	16.3%	16.6%	16.5%	16.9%	17.8%	17.0%
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Purchases	66.6%	66.6%	67.0%	66.5%	66.2%	66.0%	66.0%	65.0%	64.7%	65.4%
Net profit (before taxes)	3.7%	3.5%	3.6%	3.6%	3.8%	3.7%	3.8%	4.0%	3.8%	3.9%

*Excludes land, buildings, investments, and goodwill and corresponding liabilities

As pharmacies become successful and remain in operation more than five years, the net working capital rises both in dollars and as a percent of sales.

Table 29 illustrates the ten-year trends of balance sheet data expressed as percents of sales. For fixed assets, there was a downtrend early in the decade; however, this trend appears to have stabilized at around 3.9 percent during the latter half of the ten-year period. These data suggest that no substantial outlays have been required for fixtures and equipment to handle the growing sales volume; therefore, pharmacist-managers are not reinvesting a large share of earnings in new fixtures and equipment. High interest rates for borrowed funds may contribute to the decision to delay capital investment. The overall ten-year decline in net worth and in net working capital may reflect the accompanying general downtrend in net income as a percent of sales over the same time period.

Lilly Analysis Service Participants—One Year Later

Statistics for pharmacies furnishing their operating information for both 1979 and 1980 are summarized in Table 30. In addition, figures for pharmacies participating in the LILLY DIGEST for the first time are shown in the right-hand column.

Comparison of 'the same stores' two-year data shows increased sales volume and prescription activity during 1980. The cost of goods sold, when expressed as a percent of sales, rose slightly for these participants. It is interesting to see that gross margin, percentagewise, was the samme for these units as that for those reporting figures for only one year.

Total expenses dropped dramatically as a percent of sales for the two-year group, and net profit advanced to 3.4 percent of sales in 1980. This figure was also higher than the net profit recorded for the average LILLY DIGEST pharmacy (Table 1).

Total income for the two-year stores remained unchanged as a percent of sales, but both total income and net profit were higher dollarwise than those of the average operation.

It appears from the statistics that the management of pharmacies presenting data for consecutive years implemented action to improve the units' operation. These stores seem to have a slight competitive edge in such data as overall sales, expense control, and net profit. One reason for this may be that the process of reviewing the Lilly Analysis Service report often promotes an awareness and understanding of the operational elements of the business.

Table 30 *Summary of operating figures in pharmacies reporting two years and one year*

Averages per Pharmacy	990 Pharmacies Reporting Both Years			1,080 Pharmacies Reporting Only in 1980
	1980	1979	Amount and Percent of Change	
Sales				
Prescription	$217,816— 50.7%	$194,895— 49.7%	+ $22,921—11.8%	$208,488— 51.6%
Other	211,386— 49.3%	197,186— 50.3%	+ $14,200— 7.2%	195,719— 48.4%
Total	$429,202—100.0%	$392,081—100.0%	+ $37,121— 9.5%	$404,207—100.0%
Cost of goods sold	281,911— 65.7%	257,216— 65.6%	+ $24,695— 9.6%	265,580— 65.7%
Gross margin	$147,291— 34.3%	$134,865— 34.4%	+ $12,426— 9.2%	$138,627— 34.3%
Expenses				
Proprietor's or manager's salary	$ 26,485— 6.2%	$ 25,367— 6.5%	+ $ 1,118— 4.4%	$ 25,559— 6.3%
Employees' wages	51,647— 12.0%	47,371— 12.1%	+ $ 4,276— 9.0%	46,820— 11.6%
Rent	10,048— 2.3%	9,440— 2.4%	+ $ 608— 6.4%	10,198— 2.5%
Miscellaneous operating costs	44,333— 10.4%	40,488— 10.3%	+ $ 3,845— 9.5%	43,179— 10.7%
Total expenses	$132,513— 30.9%	$122,666— 31.3%	+ $ 9,847— 8.0%	$125,756— 31.1%
Net profit (before taxes)	$ 14,778— 3.4%	$ 12,199— 3.1%	+ $ 2,579—21.1%	$ 12,871— 3.2%
Total income of self-employed proprietor (before taxes on income and profits)	$ 41,263— 9.6%	$ 37,566— 9.6%	+ $ 3,697— 9.8%	$ 38,430— 9.5%
Number of prescriptions dispensed	27,546	27,056	+ 490— 1.8%	26,740
Prescription charge	$7.91	$7.20	+ $ 0.71— 9.9%	$7.80

The Lilly Analysis Service

A pharmacy's financial statement reflects the strengths and weaknesses of management's policies. It is extremely important that the information found in these statements be properly interpreted and utilized. Pharmacy managements can more easily find problem areas and provide solutions by reviewing a pharmacy's financial figures on a regular basis. Such a methodical approach identifies problems early when they can be corrected easily, rather than waiting for them to become unwieldy and difficult to solve. A constant need for good information is at the heart of a well-managed business.

The Lilly Analysis Service is designed to support management's financial review. Operating data from any community pharmacy will be analyzed at no charge. The service is available to any pharmacist upon request, and all information is kept strictly confidential.

After a pharmacy's figures are received, they are audited and computerized. The printouts are then analyzed by staff experts, the comments are typed, and the completed reports are mailed directly to the designated addresses. Names need not be given if the address is adequate.

The object of the report is to identify areas that may present potential problems and, if appropriate, offer suggestions for improvement that may be considered. Operating areas that seem to be performing quite satisfactorily will also be identified. To receive a *free personal and confidential* analysis, contact the Lilly Analysis Service, Department MC-698, Eli Lilly and Company, Indianapolis, Indiana 46285.

In Conclusion

During 1980, total sales and prescription revenue continued to advance over the previous year's figures for the average independent community pharmacy reporting to the LILLY DIGEST. The total income (proprietor's salary plus net profit) of the pharmacist-owner also rose dollarwise, though it remained unchanged as a percent of sales. This repeats a pattern recurring over the past several years. The average pharmacist-owner, while drawing more dollars in salary, is taking less, percentagewise, in order to stabilize expenses, offset rising merchandise costs, and thereby preserve a reasonable net profit. However, as a result of "getting it all together" in 1980, the downtrend in net profit observed over the last decade was substantially reversed in 1980 and rose to 3.3 percent of sales from 3.0 percent recorded during 1979.

The prescription department continues to expand in importance, with 51.2 percent of total revenue coming from this area. The greater reliance placed on the professional aspect of community pharmacy operations emphasizes the contribution of pharmacy to total health care. This trend is expected to continue; therefore, the economic success of the community pharmacy will depend heavily on the professional area.

Like other businesses, the community pharmacy is faced with the problems of increasing expenses, particularly wages, associated with inflationary periods. In addition, the pharmacy is also affected by consumer demands on the business that may cause lower margins. Unlike most other retail units, however, pharmacies must also be concerned with government and third-party involvement, which often results in fixed-fee reimbursement schedules that are not updated quickly enough to reflect the increased costs faced in the marketplace. Pharmacy managers tend to respond to these new challenges by carefully reviewing all items of expense and implementing purchase controls, with the objective of preserving net profit. This cost-cutting process allows them to maintain the essential "bottom line"—and it is profit that insures continuation of the operation.

If you would like to have the Lilly Analysis Service analyze your financial information for 1981, just complete the participation form that will be **mailed to you early in January of 1982.** If you would like an immediate analysis of your present financial information, participation forms are available from Department MC-698, Eli Lilly and Company, Indianapolis, Indiana 46285.

If you wish to perform your own analysis, this work sheet will be useful . . . fill in and compare

Income and Expense Statement	Current Data (Dollars)	Current Data (% of Sales)	Last Year's Data (% of Sales)	Lilly Digest Data (Comparable Category) (see page 23)	Notes (◆ or ◆)
Net sales	$	%	%	%	
Cost of goods sold	$	%	%	%	
Gross margin (net sales less cost of goods sold)	$	%	%	%	
Expenses					
Proprietor's or manager's salary	$	%	%	%	
Employees' wages	$	%	%	%	
Rent	$	%	%	%	
Heat, light, and power	$	%	%	%	
Accounting, legal, and other professional fees	$	%	%	%	
Taxes (except on buildings, income, and profit) and licenses	$	%	%	%	
Insurance (except on buildings)	$	%	%	%	
Interest paid	$	%	%	%	
Repairs	$	%	%	%	
Delivery	$	%	%	%	
Advertising	$	%	%	%	
Depreciation (except on buildings)	$	%	%	%	
Bad debts charged off	$	%	%	%	
Telephone	$	%	%	%	
Miscellaneous	$	%	%	%	
Total expenses	$	%	%	%	
Net operating profit (gross margin less total expenses)	$	%	%	%	

Balance Sheet	Current Data (Dollars)	Current Data (% of Sales)	Last Year's Data (% of Sales)	Lilly Digest Data (Comparable Category) (see pages 46-51)	Notes (◆ or ◆)
Current assets	$	%	%	%	
Fixed assets	$	%	%	%	
Total assets	$	%	%	%	
Current liabilities	$	%	%	%	
Long-term liabilities	$	%	%	%	
Total liabilities	$	%	%	%	
Net worth	$	%	%	%	

Other Calculations	Current Data	Last Year's Data	Lilly Digest Data (Comparable Categories) (see pages 23 and 46-51)	Notes (◆ or ◆)
Inventory turnover	times	times	times	
Prescription sales prescription inventory	$	$	$	
Average prescription charge	$	$	$	
Number of prescriptions				
Current assets current liabilities	times	times	times	
Net sales net working capital	times	times	times	
Long-term liabilities net working capital	%	%	%	
Accounts payable outstanding	days	days	days	
Net profit net worth	%	%	%	